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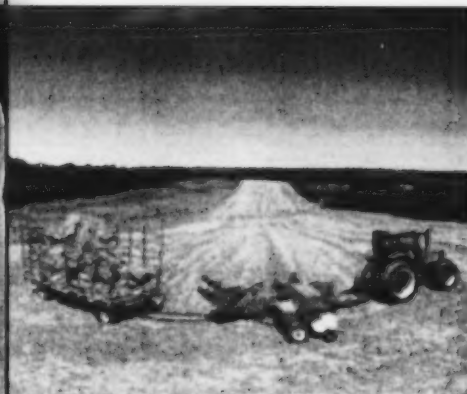
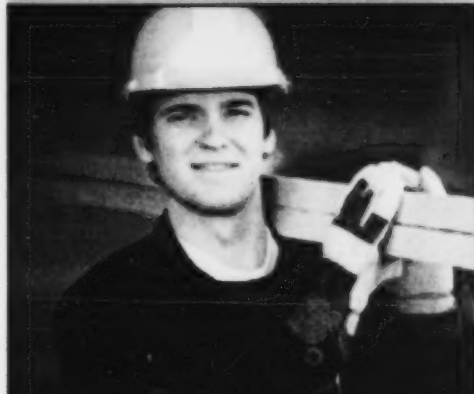
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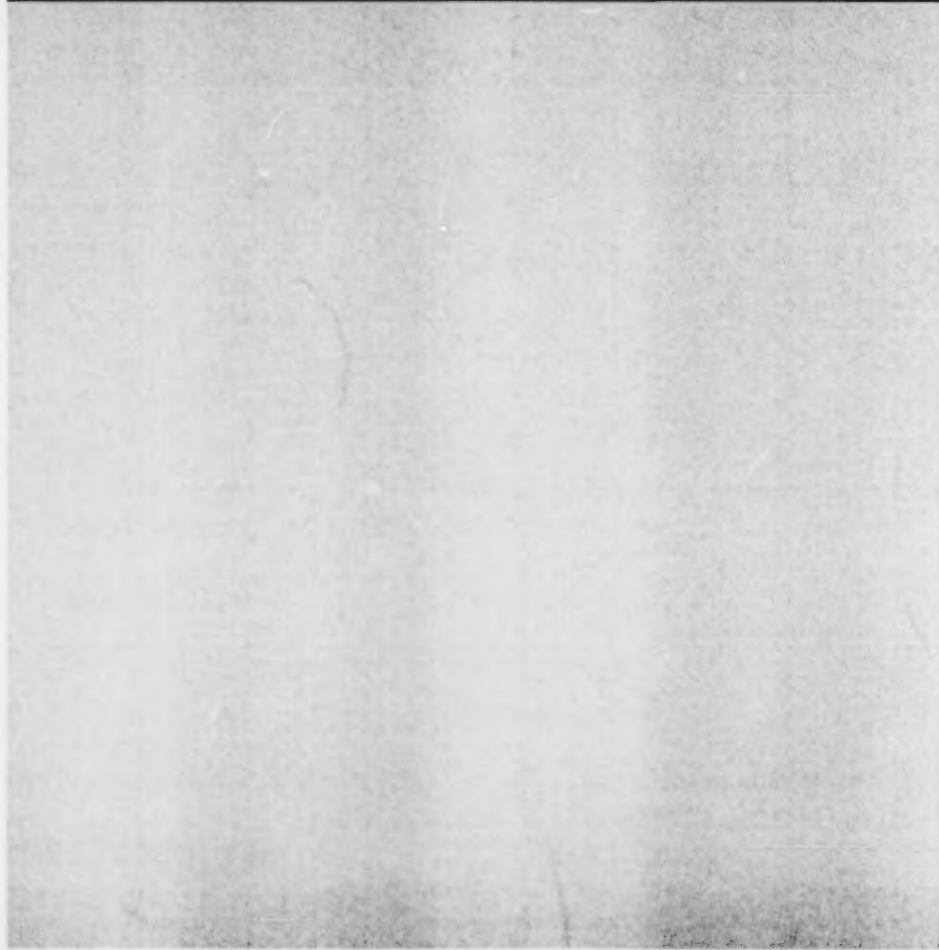
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Workers Compensation Board of Prince Edward Island

2007 Annual Report



Safety
Matters@Work
Workers Compensation Board of PEI



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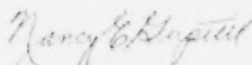
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03 March 2008

Hon. Carolyn Bertram
Minister
Communities, Cultural Affairs and Labour
P.O. Box 2000
Charlottetown, PE C1A 7N8

Dear Minister Bertram,

In accordance with Section 34 of the Workers Compensation Act, the Board is pleased to provide its Annual Report for the year ending 31 December, 2007.



Nancy Guptill
Chair

Report to Stakeholders



In 2007, the Workers Compensation Board released a Strategic Plan (2007 – 2012). This plan documents a commitment to measurable results over the next five years. Each year a *Report to Stakeholders* will be included in the Workers Compensation Board Annual Report providing an overview of annual objectives, key results and relevant statistics.

As the Strategic Plan (2007-2012) was released in late 2007, a results summary for the first full year of work toward strategic planning goals will not be available until the release of a *Report to Stakeholders* in the 2008 Annual Report.

The *Report to Stakeholders* for 2007 highlights our mission and values, introduces our Strategic Plan (2007-2012), documents an initial status and provides a baseline for results to be reported in future years. The 2007 *Report to Stakeholders* also presents a set of statistical measures. These measures have been identified as key to enhancing stakeholder understanding of Prince Edward Island's workers compensation system.

A message from the Chair and CEO and external reports of interest to our stakeholders will also be included each year in the *Report to Stakeholders* section of the Workers Compensation Board Annual Report.

About Us



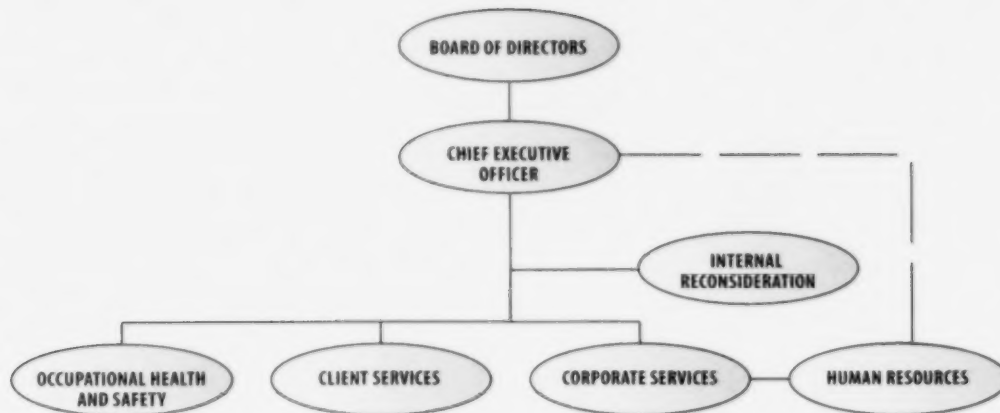
Our Mission

The Workers Compensation Board exists to promote safe workplaces and to protect employers and injured workers through a sustainable accident insurance program.

Our Values

- We treat people with fairness, care and respect
- We communicate in an open and honest manner
- We are accountable to the public and our stakeholders
- We believe in teamwork and are committed to continually improving our services
- We foster trust
- We act with integrity and professionalism

Our Organization



Our Board of Directors



The Workers Compensation Board (WCB) Board of Directors: seated from left are Donna Butler (vice-chair), George MacDonald (Chair) and Charlene McInnis; standing from left are Sandy MacKay, Margaret Stewart, Dan Hughes (resigned June 2007) and Harvey Larkin.

A Message

From the Chair and the CEO

In 2007, the Workers Compensation Board made great strides for the future of workers and employers in Prince Edward Island. Our Board's steadfast commitment to prevention yielded a new corporate identity that better reflects the organization's objectives. *Safety Matters @ Work* has evolved into the core message for all compensation system stakeholders and this message is key to the success of our new Corporate

Strategic Plan (2007-2012). The new strategic plan focuses on five strategic themes: sharing prevention responsibilities, improving worker outcomes, meeting service expectations, promoting strength within and securing the future. The plan ultimately reinforces the Workers Compensation Board's commitment to accountability and provides insight into our priorities for the next five years.

Financial condition goals set in 2002 were focused on achieving the status of fully funded. At this point in time, the Board was approximately 67% funded and faced significant financial sustainability challenges.

We are pleased to report that for the first time in almost twenty years, the Workers Compensation Board of Prince Edward Island is fully funded. Full funding secures compensation benefits for workers, eliminates assessment rate surcharges for employers, and enhances our ability to support employers and workers through injury prevention programs. While our attention will shift from achieving full funding to protecting our fully funded status, financial condition will remain a key result area for the Workers Compensation Board into the future.

The Workers Compensation Board held its 8th Annual Conference on Workplace Health and Safety in April of 2007. The conference is paramount in changing the way Islanders look at workplace injury. Through education and awareness initiatives, we aim to dispel the myth that workplace injury is inevitable and to develop a culture where everyone understands that workplace injuries are preventable. Social marketing efforts in 2007 were part of this philosophy. In 2005, 61% of Atlantic Canadians agreed that workplace injuries are an inevitable part of life, compared to 2007 where on Prince Edward Island only 53% agreed with this statement. These encouraging results validated our Board's marketing approach and supported our decision to develop a new campaign in 2007. This new campaign encourages behavior change in the workplace - *take action, prevent injury!*

Farming came under the jurisdiction of the *Occupational Health and Safety Act* on January 1, 2007. The Workers Compensation Board and the farm community were prepared for this historic event. In 2006 the *Farm Safety Code of Practice* was distributed to the farming community and our Farm Safety Specialist worked with farmers to help them understand their obligations under the Act. Further communication efforts in 2007 included the creation of a data base of safety contacts for employers in the farm sector and the introduction of farm safety hazard alerts for this important industry sector on Prince Edward Island.

Working with employers to reduce workplace injury on Prince Edward Island is essential. Our *Focused Employer Initiative* work plan for 2007/08 will continue to help employers lower their premiums by working with them in their efforts toward workplace injury prevention. Youth health and safety continues to be one of our priorities. In September of 2007 we implemented the *Safe Start Cooperative Education Health and Safety Resource* for the high school co-op education programs. This resource introduces a health and safety component into the grade eleven curriculum across Prince Edward Island.



The Workers Compensation Board values open communication with stakeholders. The 2007 Employer Survey reports that fair treatment of employers tops the list of key drivers of overall employer satisfaction. Nearly eight in ten employers (78%) express agreement with the statement that our Board is fair to employers. Among workers compensation organizations in Atlantic Canada, this is one of the highest ratings. That being said, we remain committed to identifying service areas that require strengthening through stakeholder surveys, building action plans which lead to improvement, and measuring results. Our next Injured Worker Survey is scheduled for 2008. This survey will measure our progress toward potential service improvements identified by injured workers in the 2006 survey.

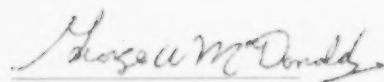
Client service improvements in 2007 included the redesign of the Employers Report of Accident (Form 7) and the creation of an accompanying guide; the completion of a pilot project testing online functionality for the Employers Report of Accident (Form 7); and the development of a new return to work workplace guide. We continue to consult with employers to enhance return to work partnership opportunities and have identified processes around the timely and safe return to work for workers with soft tissue injuries as a priority. A new return to work indicator has been developed to monitor the impact of our efforts.

As required under the *Workers Compensation Act*, the Board must facilitate a comprehensive review of the Act every five years. In 2007, a Legislative Advisory Committee was appointed and charged with the task of reviewing the *Workers Compensation Act* and recommending amendments. This committee gathered stakeholder input through worker and employer focus groups and an open invitation for submissions. The Report of the Legislative Review Advisory Committee includes sixty-nine recommended amendments to the *Workers Compensation Act* and Regulations. Overall, the report stresses a balanced approach that will ensure workers receive a fair level of benefits at a fair and sustainable cost to employers.

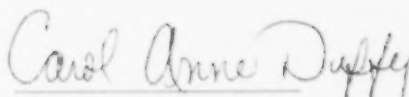
Under the *Occupational Health and Safety Act*, new Noise and Confined Space regulations were approved in 2007. Noise regulations now require hearing protection programs, including noise measurement, education and training, engineered noise control, hearing protection, posting of noise hazard areas, hearing tests and annual program review. The Confined Space amendment expands the definition of "confined space" and provides greater clarity for training providers and industry stakeholders on what is considered a confined space. The Workers Compensation Board participated in a review of a draft aquaculture safety code of practice by a committee of aquaculture employers and the Aquaculture Alliance. Also, the Occupational Health and Safety Advisory Council, in 2007, determined that "hoisting" will be the next priority in regard to improving regulations.

Fostering service improvement requires the support and development of our organization's human resources. In 2007 our internal performance development and evaluation process was selected for review. This review will explore innovative approaches to performance management. We understand that there is a powerful connection between the workplace, the health of our employees, and our ability to deliver superior service. A wellness strategy for staff was developed in 2007. The Workers Compensation Board recognizes how important it is to acknowledge the accomplishments of our employees and in 2007 we introduced an annual event to recognize staff for service to our organization.

For the Workers Compensation Board of Prince Edward Island, 2007 represents the successful conclusion of our first ever corporate strategic planning period and the exciting beginning of a new five years. Through the continued efforts and dedication of staff, the leadership of the Board of Directors, and the participation of our stakeholders we are well positioned to build on our accomplishments and to meet our future challenges and opportunities.



George MacDonald
Chair
Workers Compensation Board



Carol Anne Duffy
Chief Executive Officer
Workers Compensation Board

Message

du président et de la directrice générale



En 2007, la Commission des accidents du travail a fait de grands progrès propices à l'avenir des travailleurs et des employeurs de l'Île-du-Prince-Édouard. L'engagement ferme de notre commission en faveur de la prévention a produit une nouvelle image de marque qui reflète davantage les objectifs de l'organisme. L'adresse *Safety Matters @ Work* a évolué en un message de base pour toutes les parties intéressées au système de compensation, et ce message est essentiel au succès du nouveau plan stratégique de notre organisme (2007 à 2012). Le nouveau plan stratégique met l'accent sur cinq thèmes stratégiques : le partage des responsabilités en matière de prévention, l'amélioration des résultats des travailleurs, la satisfaction des attentes en matière de service, la promotion de l'intensité à l'intérieur de l'organisme et l'assurance de l'avenir. En fin de compte, le plan renforce l'engagement de la Commission des accidents du travail à l'égard de l'obligation de rendre compte et donne un aperçu de nos priorités pour les cinq prochaines années.

Quant aux conditions financières, les objectifs fixés en 2002 portaient surtout sur la pleine autonomie du financement. À cette époque la Commission se finançait à environ 67 % et elle faisait face à de sérieux défis de viabilité.

Nous sommes heureux de rapporter que pour la première fois en près de vingt ans, la Commission des accidents du travail de l'Île-du-Prince-Édouard se finance entièrement. Cette autonomie financière assure les indemnités d'accidents du travail aux travailleurs, élimine les surcharges de taux d'évaluation aux employeurs, et accroît notre capacité à supporter les employeurs et les employés au moyen des programmes de prévention des blessures. Même si notre attention passe d'une phase de réalisation de l'autonomie financière à une phase de protection de cette situation, la condition financière demeurera un domaine essentiel de réussite pour la Commission des accidents du travail à l'avenir.

La Commission des accidents du travail a tenu sa 8e Conférence annuelle sur la santé et la sécurité au travail en avril 2007. La conférence est essentielle pour changer la façon de penser des Insulaires en matière de blessure en milieu de travail. Grâce aux initiatives d'éducation et de sensibilisation, nous cherchons à dissiper le mythe voulant que les blessures en milieu de travail soient inévitables et à développer une culture permettant à tous de comprendre que les blessures en milieu de travail sont évitables. Les efforts de marketing social en 2007 faisaient partie de cette philosophie. En 2005, 61 % des Canadiens de l'Atlantique croyaient que les blessures en milieu de travail étaient une composante de vie inévitable, par rapport à 2007 alors qu'à l'Île-du-Prince-Édouard, seulement 53 % des habitants étaient d'accord avec cette affirmation. Ces résultats encourageants validaient la démarche de marketing de notre commission et appuyaient notre décision d'entreprendre une nouvelle campagne en 2007. Cette nouvelle campagne incite au changement de comportement dans le milieu de travail – *Soyez vigilants, prévenez les blessures!*

L'agriculture est tombée sous l'autorité législative du *Occupational Health and Safety Act* (loi sur la sécurité du travail), le 1er janvier 2007. L'événement historique n'a pas surpris la Commission des accidents du travail ni la communauté agricole. En 2006, le *Farm Safety Code of Practice* (code de pratique sur la sécurité agricole) a été distribué dans la communauté agricole où notre spécialiste de la sécurité agricole a travaillé avec les fermiers afin de les aider à comprendre leurs obligations en vertu de la loi. Au nombre des autres efforts de communication en 2007, mentionnons la création d'une base de données de personnes-ressources en sécurité pour les employeurs du secteur agricole et la présentation des alertes de risque d'accident sur la ferme pour cet important secteur industriel à l'Île-du-Prince-Édouard.

Par ailleurs, il est essentiel de collaborer avec les employeurs afin de réduire les blessures en milieu de travail à l'Île-du-Prince-Édouard. Notre plan de travail pour 2007-2008, intitulé *Focused Employer Initiative*, continuera d'aider les employeurs à diminuer leurs primes grâce à nos efforts conjoints dans la prévention des blessures dans le milieu de travail. La santé et la sécurité des jeunes

demeurent toujours une de nos priorités. En septembre 2007, nous avons mis en place l'outil *Safe Start Cooperative Education Health and Safety Resource* pour le programme d'enseignement coopératif de la 11^e année à l'Île-du-Prince-Édouard.

La Commission des accidents du travail attache de l'importance aux libres consultations avec nos partenaires. Le sondage auprès des employeurs de 2007 indique que le traitement équitable des employeurs arrive en tête de liste des facteurs importants de satisfaction globale des employeurs. Près de huit employeurs sur dix (78 %) expriment leur accord avec l'énoncé suivant lequel notre commission traite les employeurs équitablement. Parmi les organismes de compensation des travailleurs au Canada Atlantique, c'est un des taux les plus élevés. Cela étant dit, nous demeurons déterminés à préciser les domaines de service qui doivent être renforcés suivant les sondages auprès des parties intéressées, à élaborer des plans d'action menant à des améliorations, et à mesurer les résultats. Notre prochain sondage auprès des travailleurs blessés est prévu en 2008. Ce sondage mesurera nos progrès réalisés en terme d'améliorations possibles de service identifiées par les travailleurs blessés dans le sondage de 2006.

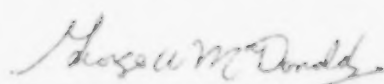
Les améliorations au service à la clientèle en 2007 comprennent la modification complète du rapport d'accident de l'employeur (formulaire 7) et la création d'un guide d'accompagnement; l'achèvement de la vérification de la fonctionnalité du projet pilote en ligne portant sur le rapport d'accident de l'employeur (formulaire 7); ainsi que la préparation d'un guide pour le milieu de travail à propos de la reprise du travail. Nous poursuivons nos consultations avec les employeurs afin d'améliorer les possibilités de partenariat concernant la reprise du travail et nous avons identifié des processus de reprise du travail en temps utile et sécuritaire pour les travailleurs souffrant de lésion des tissus mous comme une priorité. Un nouvel indicateur de la reprise du travail a été mis au point afin de surveiller les résultats de nos efforts.

Tel que requis en vertu du *Workers Compensation Act* (loi sur les accidents du travail), la commission doit faciliter la révision de la loi à tous les cinq ans. En 2007, un comité de révision de la législation a été nommé et on lui a confié la tâche de réviser la loi sur les accidents du travail et de recommander des modifications. Le comité a recueilli les commentaires des parties intéressées à l'aide de groupes de discussion d'employeurs et d'employés et d'une invitation ouverte à faire des soumissions. Le rapport du comité consultatif de révision de la législation comprend soixante-neuf modifications recommandées à la loi sur les accidents du travail et à son règlement. Globalement, le rapport insiste sur une démarche équilibrée qui assurera aux travailleurs de recevoir un niveau de prestations équitable à un coût juste et viable pour les employeurs.

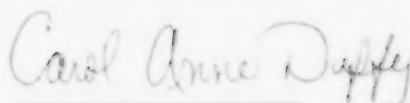
En vertu de la loi sur la sécurité du travail, le règlement sur le bruit en milieu clos a été amélioré en 2007. Maintenant, le règlement exige des programmes de protection de fouie, notamment la mesure du bruit, l'éducation et la formation, le contrôle du bruit artificiel, l'affichage des secteurs de danger dû au bruit, les tests d'audition et le programme de révision annuelle. La modification aux dispositions sur le milieu clos élargit la définition de « milieu clos » et clarifie la situation pour les personnes qui font la formation et les parties intéressées de l'industrie en précisant ce qui est considéré comme un milieu clos. La Commission des accidents du travail a participé à la révision d'une ébauche du code de pratique sur la sécurité en aquaculture, laquelle a été réalisée par un comité d'employeurs en aquaculture et par l'*Aquaculture Alliance*. Également, en 2007, le Conseil consultatif sur la santé et la sécurité au travail a décidé que le « levage » serait la prochaine priorité en matière d'amélioration des règlements.

Sans le soutien et le dynamisme des ressources humaines de notre organisme, il serait impossible de promouvoir l'amélioration du service. En 2007, notre processus de développement et d'évaluation de la performance interne a été sélectionné pour révision. Cette révision examinera les démarches innovatrices applicables à la gestion de la performance. Nous comprenons qu'il existe un lien puissant entre le milieu de travail, la santé de nos employés et notre capacité de fournir un service de grande qualité. Une stratégie de bien-être du personnel a été élaborée en 2007. La Commission des accidents du travail reconnaît l'importance de prendre acte des réalisations de notre personnel et, en 2007, nous créons un événement annuel visant à reconnaître le personnel pour les services rendus à notre organisme.

Pour la Commission des accidents du travail, l'année 2007 représente la réussite de notre première période de planification stratégique organisationnelle et le début enthousiaste d'une nouvelle période de cinq ans. Grâce aux efforts soutenus et au dévouement de notre personnel, à la direction du conseil d'administration, et à la participation de nos partenaires, nous sommes bien placés pour exploiter nos réalisations, surmonter les obstacles et profiter des occasions qui se présenteront.



George MacDonald
Président
Commission des accidents du travail



Carol Anne Duffy
Directrice générale
Commission des accidents du travail

A Message

From the Incoming Chair

The Workers Compensation Board has successfully completed its first Corporate Strategic Plan for the period of 2001-2006. As a result, the workers compensation system is stronger and workplace injury prevention is on the minds of Islanders. I join the Workers Compensation Board organization as it moves into a new strategic planning phase (2007-2012). The new Corporate Strategic Plan builds on the accomplishments of the past five years and provides the necessary guidance to meet new challenges. As incoming Chair, I look forward to working with the Board of Directors, Workers Compensation Board staff and compensation system stakeholders in support of our efforts to foster a culture of workplace health and safety on Prince Edward Island where Safety Matters @ Work.



Nancy Gupill
Incoming Chair
Workers Compensation Board

Message du nouveau président

La Commission des accidents du travail a réussi son premier plan stratégique organisationnel pour la période de 2001 à 2007. En conséquence, le système de compensation des travailleurs est renforcé et la prévention des blessures en milieu de travail est présente à l'esprit des Insulaires. Je me joins à la Commission des accidents du travail alors que l'organisme se lance dans une nouvelle phase de planification stratégique (2007 à 2012). Le nouveau plan stratégique organisationnel repose sur les réalisations des cinq dernières années et fournit l'orientation nécessaire pour relever les nouveaux défis. À titre de nouveau président, je me réjouis à l'idée de travailler avec le conseil d'administration, le personnel de la Commission des accidents du travail et les partenaires du système de compensation afin d'appuyer nos efforts visant à encourager une culture de santé et de sécurité dans le milieu de travail à l'Île-du-Prince-Édouard où la sécurité compte vraiment.

Nancy Gupill
Nouveau président
Commission des accidents du travail

Strategic Plan

Our Plan, Our Results

The Strategic Plan (2007-2012) reflects the mission and values of the Workers Compensation Board and focuses on five strategic themes:

- Sharing Prevention Responsibilities
- Improving Worker Outcomes
- Meeting Service Expectations
- Promoting Strength Within
- Securing the Future

Within each theme, key result areas guide specific goals, actions and measures of success. Our results are highlighted for stakeholders by key result area.



Strategic Theme:

Sharing Prevention Responsibilities

Key Result Area: Injury Prevention

The Workers Compensation Board recognizes that prevention is the most effective way to minimize the overall emotional, physical, and financial burden of workplace injuries. An effective injury prevention program depends on workers, employers and the Workers Compensation Board each understanding their role in making Prince Edward Island a safe place to work.

Course of Action:

Year one (October 2007 – December 2008) efforts will focus on the goal *"The Workers Compensation Board, workers and employers understand their role in injury prevention"* by:

- Reassessing efforts to educate workers and employers on injury prevention
- Facilitating the delivery of injury prevention education which meets the needs of workers and employers
- Identifying and promoting injury prevention best practices
- Developing a strategy to reduce recurring workplace injuries
- Reinventing the corporate identity of the Workers Compensation Board to incorporate "safety"

Measure of Success:

- Workers and employers perceive their injury prevention education needs are being met.
- The mandate of the Workers Compensation Board for injury prevention education is endorsed by workers and employers.
- A strategy for reducing recurring workplace injuries has been implemented.
- Incidents of recurring workplace injuries are being monitored.
- Workers and employers in high injury sectors recognize the value of the internal responsibility model for improving outcomes.



Results Summary:

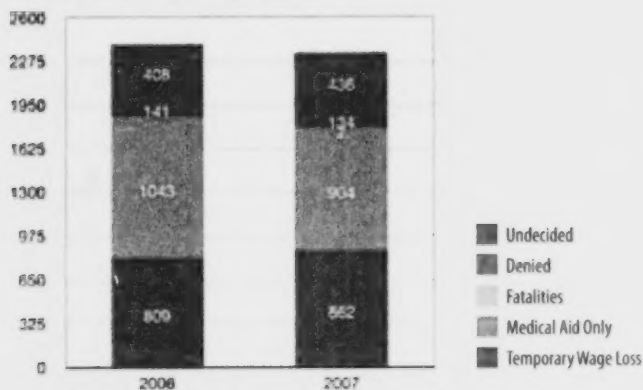
Completed as of December 2007:

- ✓ Updated database of "safety" contacts at employer sites
- ✓ Created database of "safety" contacts for employers in the farming sector
- ✓ Identified objectives and developed a Focused Employer Initiative work plan for 2007/08
- ✓ Provided in-service for teachers to prepare for implementation of the cooperative education health and safety program in provincial high schools
- ✓ Developed an injury prevention social marketing campaign
- ✓ Developed and launched new corporate identity for the Workers Compensation Board which incorporates "safety"



Key Statistics: Injury Prevention

Number of Adjudicated Claims



Total Adjudicated Claims: Total number of claims adjudicated for entitlement to benefits.

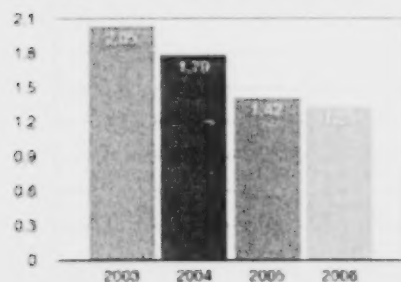
Temporary Wage Loss: Claims received where, as a result of a workplace injury, compensation for wage loss is paid to a worker.

Medical Aid Only: Claims received where, as a result of a workplace injury, a worker does not lose wages but does receive medical aid which is paid on behalf of the workers by the Workers Compensation Board.

Fatalities: Claims received as a result of a workplace fatality.

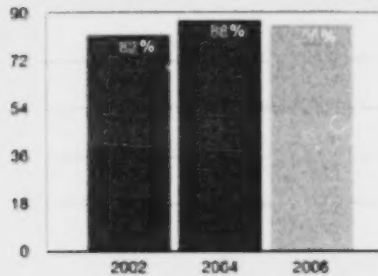
Denied: Claims received and determined not eligible for workers compensation system benefits under the Workers Compensation Act.

Injury Frequency (per 100 FTE's)

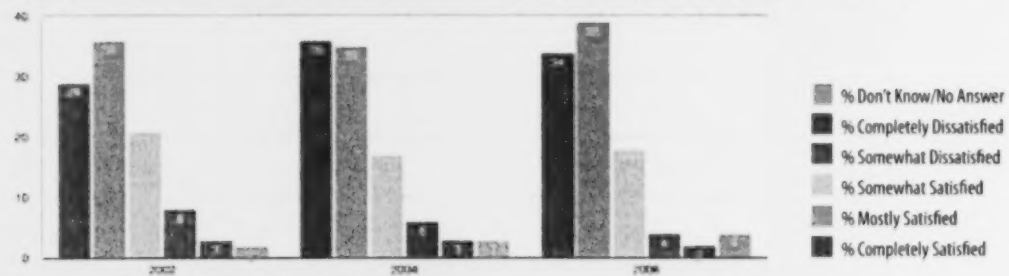


Injury Frequency: The injury frequency rate is calculated by dividing the number of claims by the number of full-time employees in a given year. A full-time employee or full-time equivalent (FTE) is defined as an employee who works the equivalent of 35 hours per week.

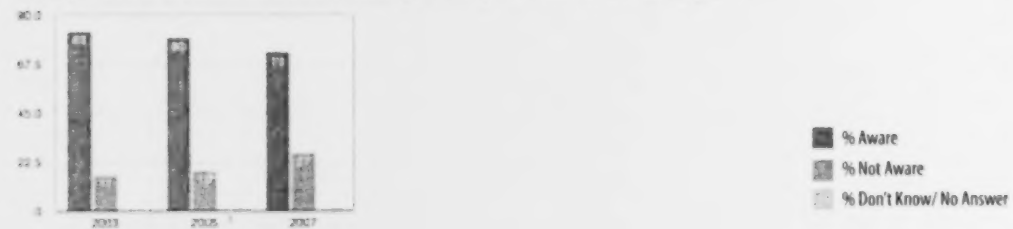
Injured Worker Survey: Awareness of Staff Who Promote Workplace Safety



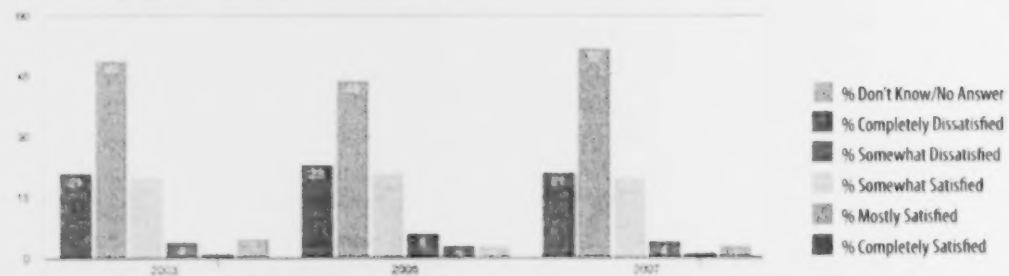
Injured Worker Survey: Satisfaction with Promotion of Workplace Health and Safety



Employer Survey: Awareness that the WCB has Staff Whose Responsibilities Include Promoting Workplace Safety and Reducing Workplace Injuries in Island Workplaces



Employer Survey: Satisfaction With the Efforts of the WCB to Promote Workplace Safety and Reduce Workplace Injuries in Island Workplaces



Injury prevention

Working safely and healthily is a responsibility shared by the worker, the employer and the Government.
Working safely and healthily is a responsibility shared by the worker, the employer and the Government.

Results Summary:

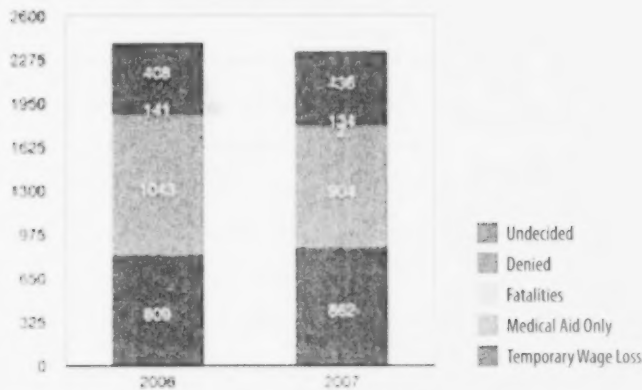
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Key Statistics: Injury Prevention

Number of Adjudicated Claims



Total Adjudicated Claims: Total number of claims adjudicated for entitlement to benefits

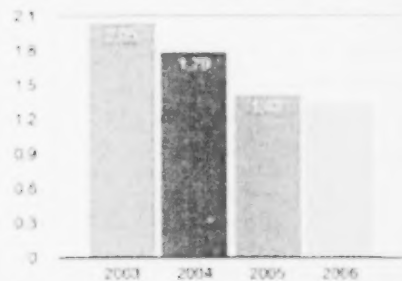
Temporary Wage Loss: Claims received where, as a result of a workplace injury, compensation for wage loss is paid to a worker

Medical Aid Only: Claims received where, as a result of a workplace injury, a worker does not lose wages but does receive medical aid which is paid on behalf of the workers by the Workers Compensation Board

Fatalities: Claims received as a result of a workplace fatality

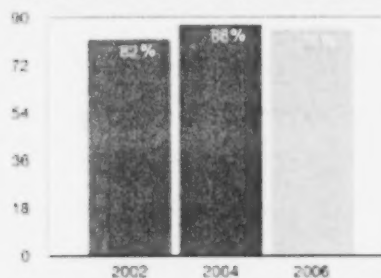
Denied: Claims received and determined not eligible for workers' compensation system benefits under the Workers Compensation Act

Injury Frequency (per 100 FTE's)

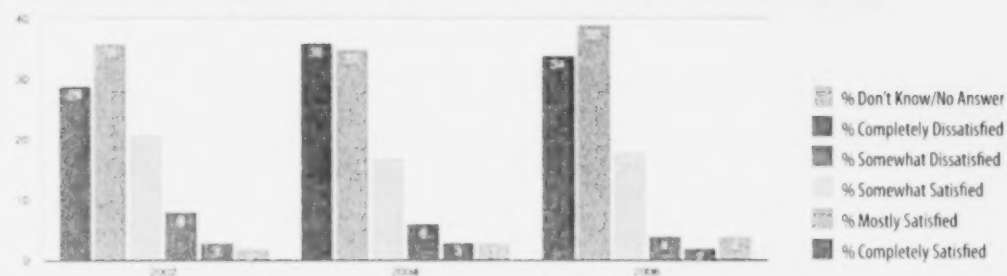


Injury Frequency: The injury frequency rate is calculated by dividing the number of claims by the number of full-time employees in a given year. A full-time employee is full-time equivalent of 35 or more hours per week.

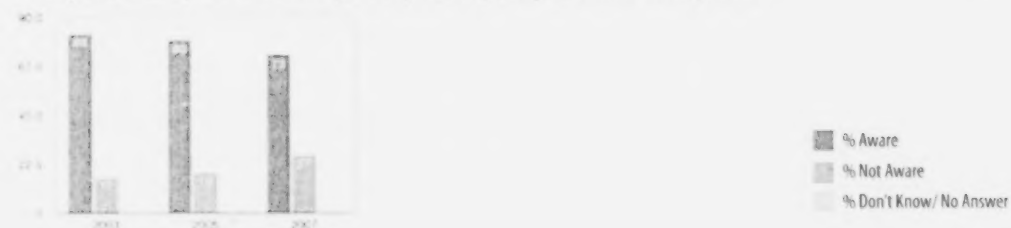
Injured Worker Survey: Awareness of Staff Who Promote Workplace Safety



Injured Worker Survey: Satisfaction with Promotion of Workplace Health and Safety



Employer Survey: Awareness that the WCB has Staff Whose Responsibilities Include Promoting Workplace Safety and Reducing Workplace Injuries in Island Workplaces



Employer Survey: Satisfaction With the Efforts of the WCB to Promote Workplace Safety and Reduce Workplace Injuries in Island Workplaces





Strategic Theme: Improving Worker Outcomes

Key Result Area: Improving Outcomes for Workers with Soft Tissue Injuries

Over fifty percent of all claims filed with the Workers Compensation Board are the result of soft tissue injuries. The Workers Compensation Board is committed to effective case management for all injury types, however, a focused approach which will enhance the safe and timely return to work for workers with soft tissue injuries is essential.

Measure of Success:

- A process for managing soft tissue injury claims has been developed.
- Staff, employers, and health care providers understand the process and respective roles and responsibilities for managing soft tissue injury claims.
- Soft tissue injury claims are being identified and a process for managing soft tissue injury claims is being used.
- Workers with soft tissue injuries have more successful outcomes.

Course of Action:

Year one (October 2007 – December 2008) efforts will focus on the goal "Criteria for identifying workers with soft tissue injury have been defined and a process for managing soft tissue injury claims has been developed" by:

- Defining claim types to be categorized as soft tissue injuries
- Consulting with employers on return to work processes for soft tissue injuries
- Consulting with health care providers on treatment standards for soft tissue injuries
- Researching soft tissue injury programs used in other compensation system jurisdictions
- Identifying critical success factors and indicators for improving soft tissue injury outcomes
- Developing a process for managing soft tissue injury claims
- Identifying roles and responsibilities for managing soft tissue injury claims
- Educating staff, workers, employers, and health care providers on the process for managing soft tissue injury claims

Results Summary

Completed as of December 2007:

- ✓ Reviewed National Work Injury Statistics Program (NWISP) codes and identified injury types to be labeled soft tissue injury
- ✓ Developed a return to work (RTW) indicator for monitoring time from work for workers with soft tissue injuries
- ✓ Identified priority employers for consultation on return to work processes
- ✓ Initiated research on RTW strategies used by other compensation system jurisdictions
- ✓ Reviewed RTW workplace guide
- ✓ Identified success factors for improved soft tissue injury outcomes



Key Statistics: Improving Worker Outcomes

\$ Benefits Paid

- Benefits Paid - Prior Year Injuries
- Benefits Paid - Current Year Injuries

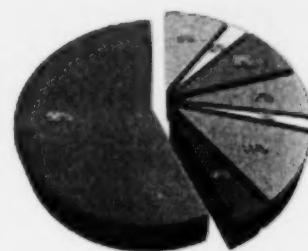
Benefit Payments: Benefit payments in any given year are associated with either injuries which occur in that year or injuries that have occurred in previous years.



Nature of Injury:	Number of cases	
	2006	2007
Bruises, contusions	75	79
Burns	11	24
Cuts, lacerations	67	72
Fractures	66	62
Multiple	14	13
Other	110	93
Repetitive Motion	45	33
Sprains, strains	421	486
Total:	809	862

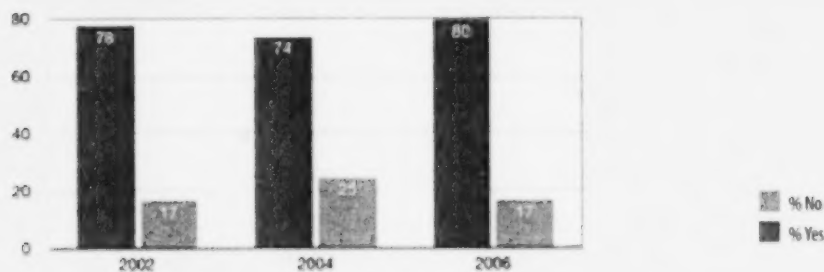


2006

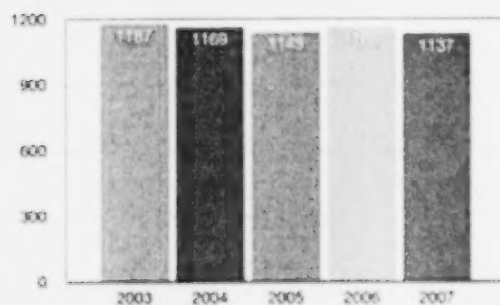


2007

Injured Worker Survey: Workers Who Have Returned to Work Since Their Accident



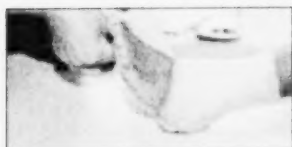
Number of Workers Receiving Extended Benefits



Extended benefits include pensions, extended wage loss awards and pension replacement credits.

Over 50%

of all injured workers have returned to work since their accident. This is a significant improvement over the 2002 survey, which showed that only 78% of injured workers had returned to work. The 2007 survey also shows that the number of workers receiving extended benefits has decreased slightly from 2003 to 2007.



Strategic Theme: Improving Worker Outcomes

Key Result Area: Improving Outcomes for Workers with Soft Tissue Injuries

Over fifty percent of all claims filed with the Workers Compensation Board are the result of soft tissue injuries. The Workers Compensation Board is committed to effective case management for all injury types, however, a focused approach which will enhance the safe and timely return to work for workers with soft tissue injuries is essential.

Measure of Success:

- A process for managing soft tissue injury claims has been developed.
- Staff, employers, and health care providers understand the process and respective roles and responsibilities for managing soft tissue injury claims.
- Soft tissue injury claims are being identified and a process for managing soft tissue injury claims is being used.
- Workers with soft tissue injuries have more successful outcomes.

Course of Action:

Year one (October 2007 – December 2008) efforts will focus on the goal "Criteria for identifying workers with soft tissue injury have been defined and a process for managing soft tissue injury claims has been developed" by:

- Defining claim types to be categorized as soft tissue injuries
- Consulting with employers on return to work processes for soft tissue injuries
- Consulting with health care providers on treatment standards for soft tissue injuries
- Researching soft tissue injury programs used in other compensation system jurisdictions
- Identifying critical success factors and indicators for improving soft tissue injury outcomes
- Developing a process for managing soft tissue injury claims
- Identifying roles and responsibilities for managing soft tissue injury claims
- Educating staff, workers, employers, and health care providers on the process for managing soft tissue injury claims

Results Summary

Completed as of December 2007:

- ✓ Reviewed National Work Injury Statistics Program (NWISP) codes and identified injury types to be labeled soft tissue injury
- ✓ Developed a return to work (RTW) indicator for monitoring time from work for workers with soft tissue injuries
- ✓ Identified priority employers for consultation on return to work processes
- ✓ Initiated research on RTW strategies used by other compensation system jurisdictions
- ✓ Reviewed RTW workplace guide
- ✓ Identified success factors for improved soft tissue injury outcomes



Key Statistics: Improving Worker Outcomes

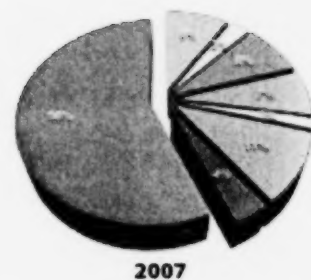
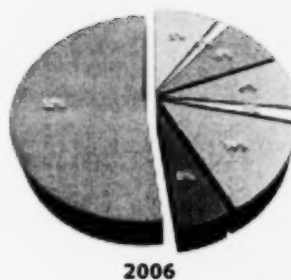
\$ Benefits Paid

- Benefits Paid - Prior Year Injuries
- Benefits Paid - Current Year Injuries

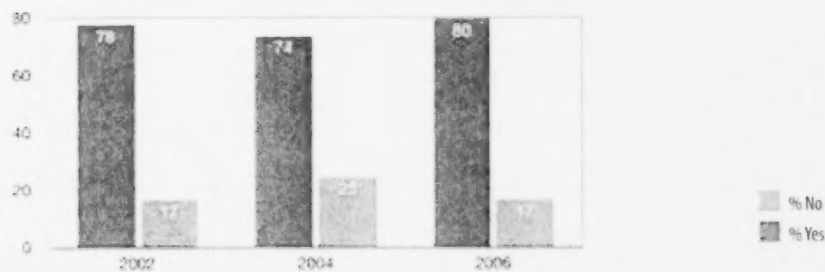
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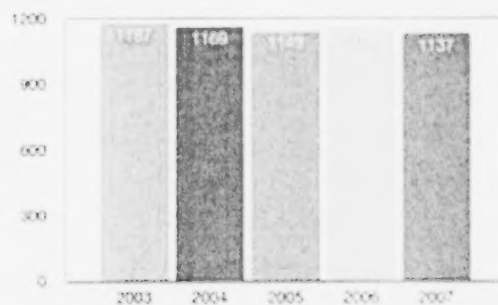
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Sprains, strains	421	486
Total:	809	862



Injured Worker Survey: Workers Who Have Returned to Work Since Their Accident



Number of Workers Receiving Extended Benefits



Extended benefits include pension, extended wage loss awards and certain unemployment benefits.

50%



Strategic Theme: Meeting Service Expectations

Key Result Area: Service Delivery

Meeting service delivery expectations will always be critical to the success of the Workers Compensation Board. Past stakeholder survey results indicate that improving claim processing effectiveness will have the greatest impact in terms of stakeholder satisfaction with services delivered by the Workers Compensation Board.

Measure of Success:

- WCB staff, employers, workers and service providers have participated in the identification of standards for claim processing effectiveness.
- Priority claim processing standards have been identified and communicated.
- Claim processing effectiveness has improved.

Course of Action:

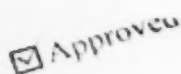
Year one (October 2007 – December 2008) efforts will focus on the goal "Standards for claim processing effectiveness are identified for Workers Compensation Board staff, employers, workers, and service providers" by:

- Researching claim processing standards and measurement processes used in other compensation system jurisdictions
- Consulting with stakeholder groups on claim processing expectations
- Establishing and communicating claim processing standards

Results Summary:

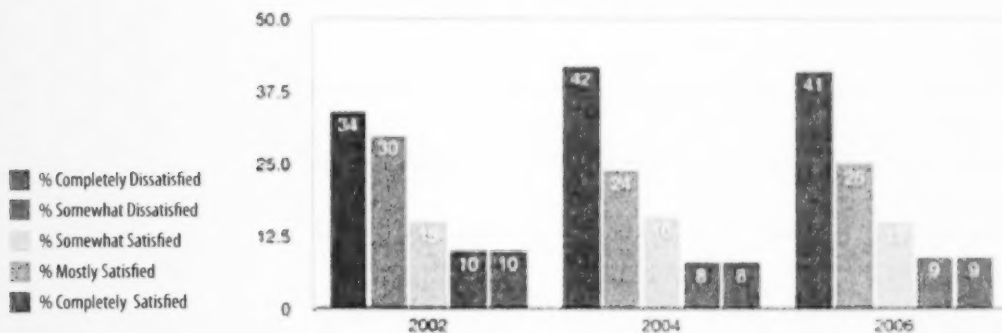
Completed as of December 2007:

- ✓ Initiated research on claim processing standards used by other compensation system jurisdictions
- ✓ Added question to stakeholder surveys aimed at gathering information from employers on claim processing expectations

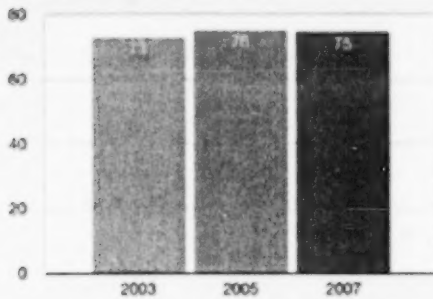


Key Statistics: Service Delivery

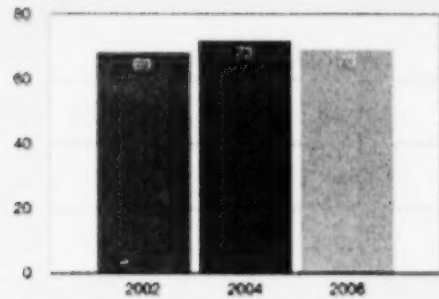
Injured Worker Survey: "Overall Satisfaction with WCB"



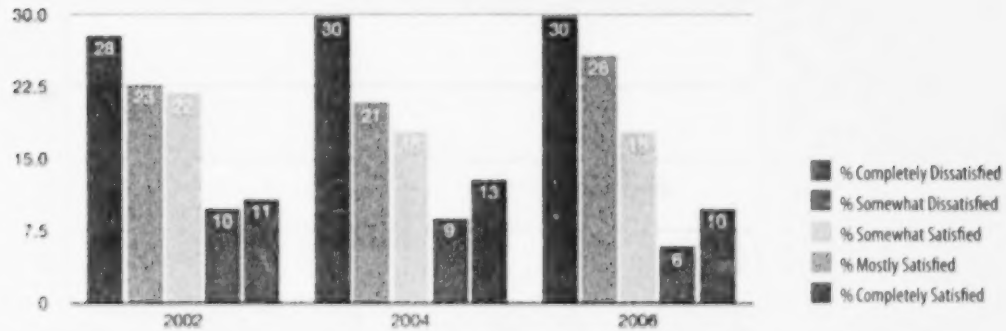
**Employer Survey:
Service Satisfaction Index**



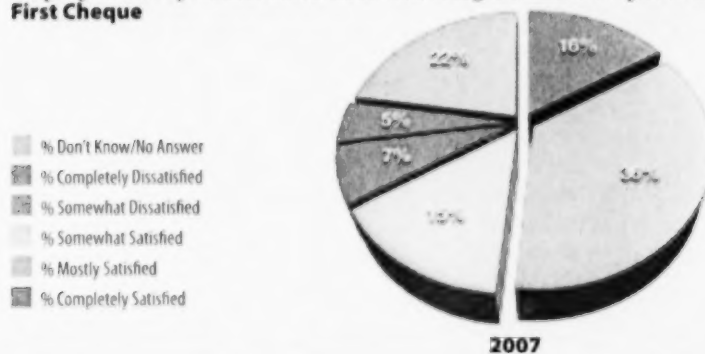
**Injured Worker Survey:
Service Satisfaction Index**



Injured Worker Survey: Satisfaction with Promptness of Benefits Delivery



Employer Survey: Satisfaction with How Long it Takes for Injured Workers to Get Their First Cheque



improving
claim processing

and make the process more efficient for workers, employers and the system. Powered by the Workers Compensation Board.



Strategic Theme: Meeting Service Expectations

Key Result Area: Service Delivery

Meeting service delivery expectations will always be critical to the success of the Workers Compensation Board. Past stakeholder survey results indicate that improving claim processing effectiveness will have the greatest impact in terms of stakeholder satisfaction with services delivered by the Workers Compensation Board.

Measure of Success:

- WCB staff, employers, workers and service providers have participated in the identification of standards for claim processing effectiveness.
- Priority claim processing standards have been identified and communicated.
- Claim processing effectiveness has improved.

Course of Action:

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- Researching claim processing standards and measurement processes used in other compensation system jurisdictions
- Consulting with stakeholder groups on claim processing expectations
- Establishing and communicating claim processing standards

Results Summary:

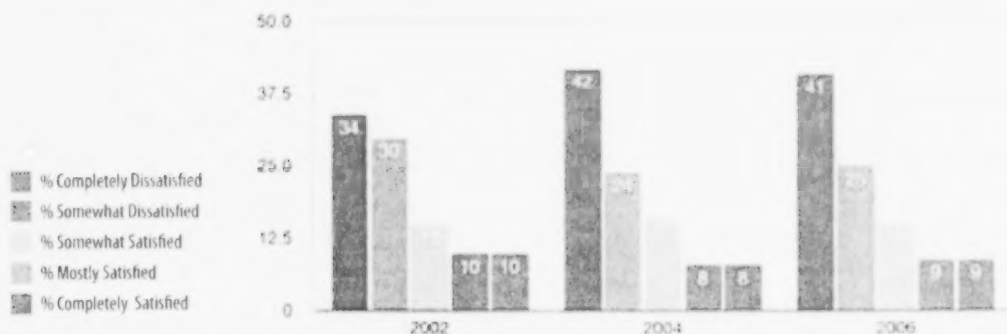
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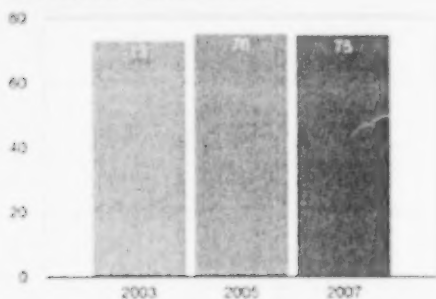


Key Statistics: Service Delivery

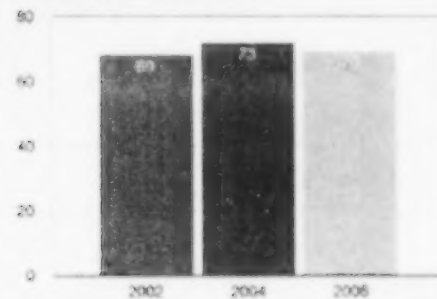
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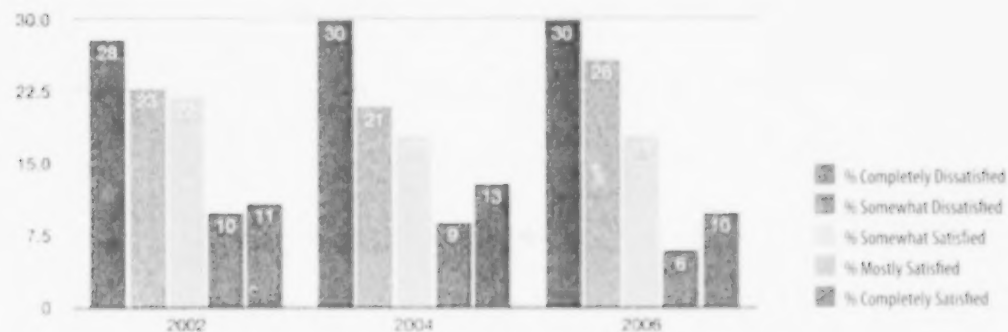
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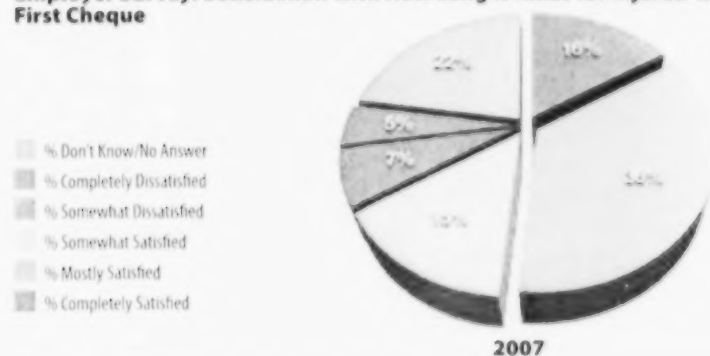
**Injured Worker Survey:
Service Satisfaction Index**



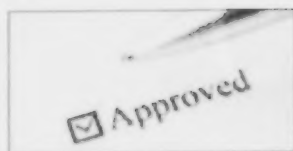
Injured Worker Survey: Satisfaction with Promptness of Benefits Delivery



Employer Survey: Satisfaction with How Long it Takes for Injured Workers to Get Their First Cheque



Improving
claim processing



Strategic Theme: *Meeting Service Expectations*

Key Result Area: Information Technology (IT)

Technology continues to evolve at a rapid pace. The Workers Compensation Board recognizes the potential of the Internet for delivering core services to clients. Over the next five years, the Workers Compensation Board will roll out an E-business strategy providing secure and easy to use web-based services for clients who prefer the convenience of online access.

Measure of Success:

- A secure E-business infrastructure is in place.
- E-business services have been introduced.
- An Information Technology Business Plan has prioritized E-business requirements.
- E-business is available to stakeholders in a secure, well supported environment.
- E-business services are being used by stakeholders.

Course of Action:

Year one (October 2007 – December 2008) efforts will focus on the goal *"The Workers Compensation Board understands and has illustrated to stakeholders the potential for E-business to improve service delivery effectiveness"* by:

- Adopting standards for a secure E-business infrastructure
- Establishing an E-business infrastructure
- Identifying and implementing short-term E-business goals

Results Summary:

Completed as of December 2007:

- ✓ Identified and recruited required expertise to meet E-business goals
- ✓ Procured a supplier for E-pay pharmacy system functionality
- ✓ Piloted on-line Employers Report of Accident (Form 7) functionality



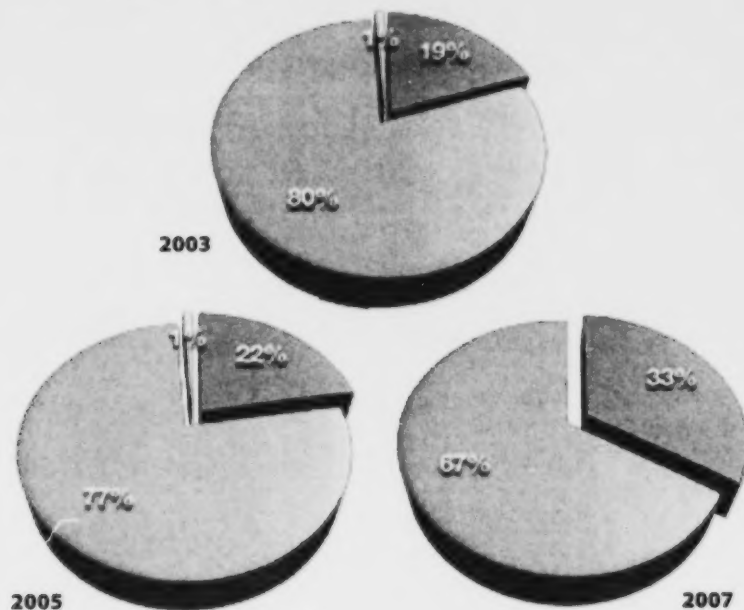
Key Statistics: Information Technology (IT)

Injured Worker Survey: "Have You Ever Visited the WCB's Website?"

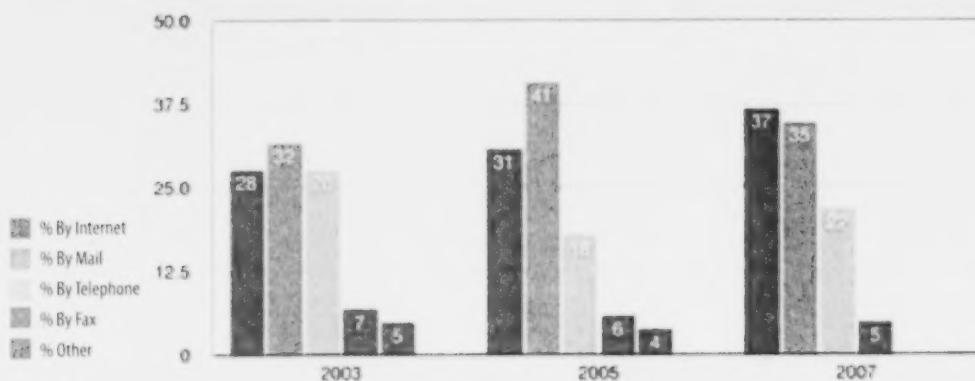


Employer Survey: "Have You Ever Used the WCB's Website?"

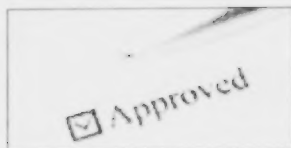
■ % Yes
 ■ % No
 ■ % Don't Know/No Answer



Injured Workers Survey: "Which One of the Following Methods Would You Most Prefer to Use to Gain Access to Services from the WCB?"



easy to use
 web-based services



Strategic Theme: Meeting Service Expectations

Key Result Area: Information Technology (IT)

Technology continues to evolve at a rapid pace. The Workers Compensation Board recognizes the potential of the Internet for delivering core services to clients. Over the next five years, the Workers Compensation Board will roll out an E-business strategy providing secure and easy to use web-based services for clients who prefer the convenience of online access.

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Course of Action:

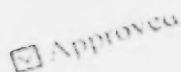
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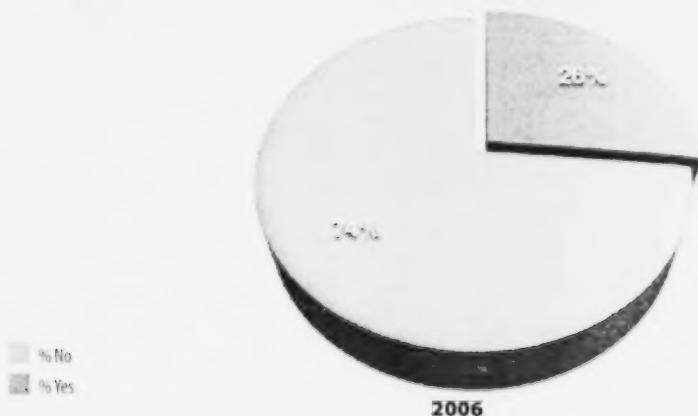
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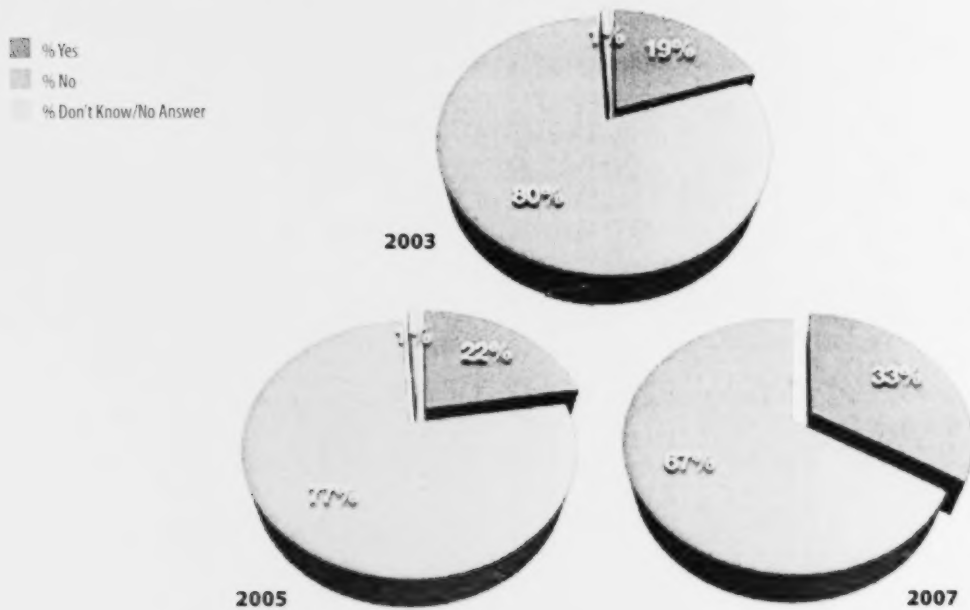


Key Statistics: Information Technology (IT)

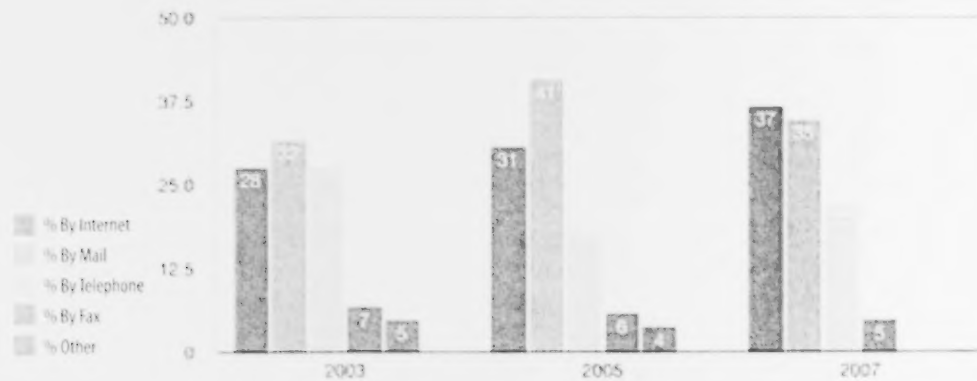
Injured Worker Survey: "Have You Ever Visited the WCB's Website?"



Employer Survey: "Have You Ever Used the WCB's Website?"



Injured Workers Survey: "Which One of the Following Methods Would You Most Prefer to Use to Gain Access to Services from the WCB?"





Strategic Theme: *Promoting Strength Within*

Key Result Area: Human Resources

A qualified, committed, and motivated staff is clearly the most valuable resource within any organization. The Workers Compensation Board must create an environment where staff believe in the work they do, have the tools, knowledge and support they need, and are challenged to contribute to ongoing improvement and positive change within the organization.

Measure of Success:

- Employees have participated in a review of performance development and evaluation methods.
- Performance development and evaluation procedures have been documented.
- Supervisors have been trained on performance development, evaluation procedures, and techniques for giving and receiving feedback.
- Employee satisfaction in areas specific to receiving support and recognition has improved.

Course of Action:

Year one (October 2007 – December 2008) efforts will focus on the goal “Supervisors understand their role and have the necessary skills to implement an effective employee performance development and evaluation program” by:

- Reviewing the existing approach and exploring alternate approaches for performance development and evaluation
- Identifying and documenting performance development and evaluation procedures
- Providing performance development and evaluation training for supervisors
- Providing support for staff wellness and professional growth

Results Summary:

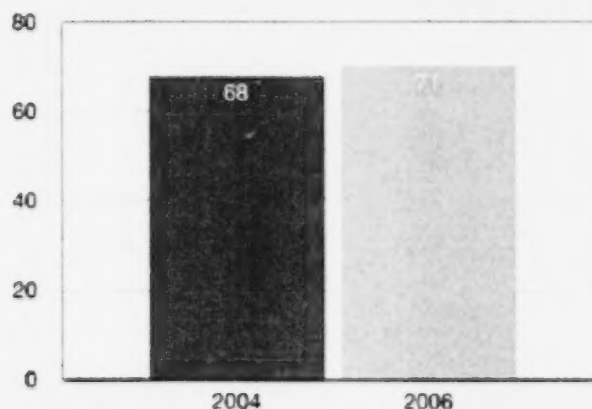
Completed as of December 2007:

- ✓ Identified external expertise for performance development methods review

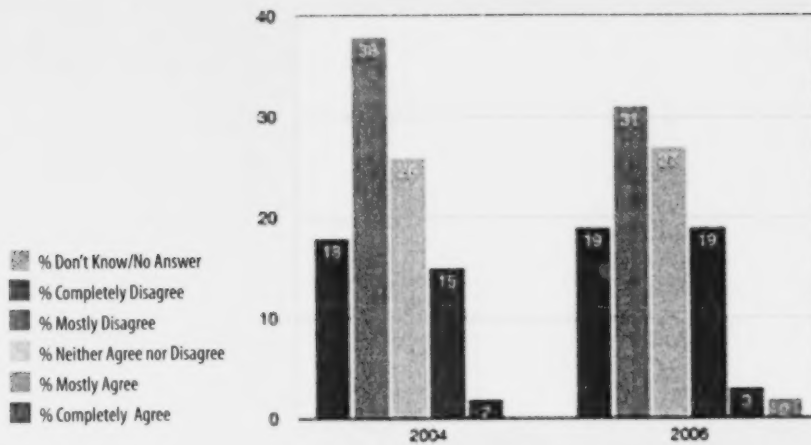


Key Statistics: *Human Resources*

Employee Opinion Survey: Employee Satisfaction Index

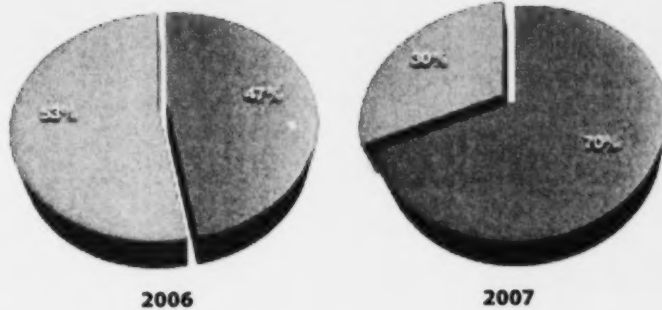


Employee Opinion Survey: "I am Recognized for my Achievements"

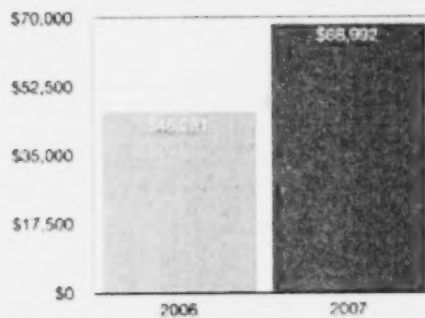


Number of Staffing Competitions:

- Filled Through External Recruitment
- Filled By Internal Staff



Investment in Employee Development



valuable resource



Strategic Theme

Promoting Strength Within

Key Result Area: Human Resources

A qualified, committed, and motivated staff is clearly the most valuable resource within any organization. The Workers Compensation Board must create an environment where staff believe in the work they do, have the tools, knowledge and support they need, and are challenged to contribute to ongoing improvement and positive change within the organization.

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Results Summary:

Completed as of December 2007:

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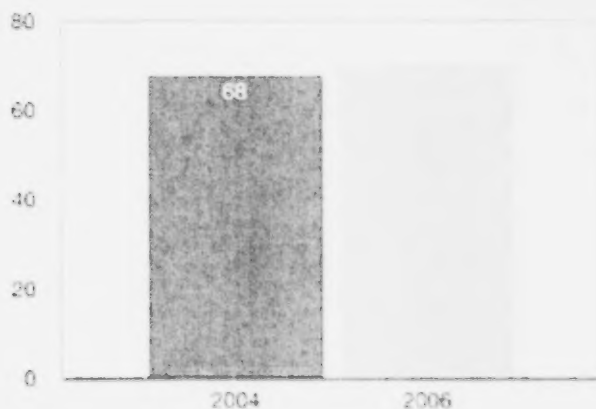
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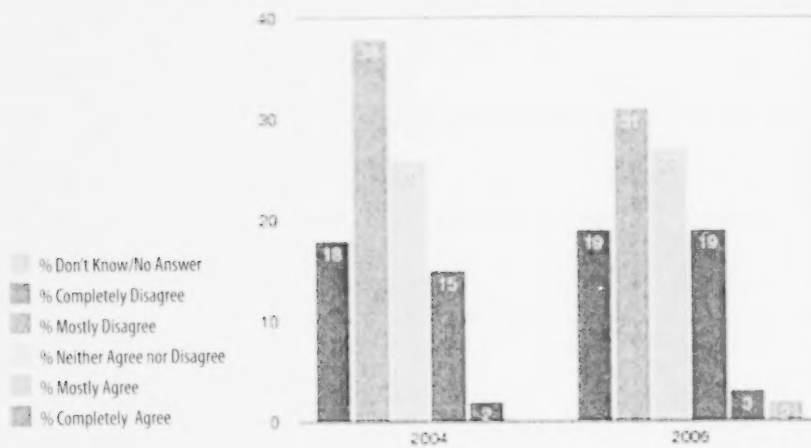


Key Statistics: Human Resources

Employee Opinion Survey: Employee Satisfaction Index

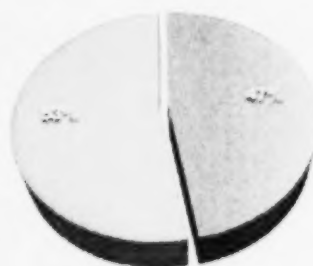


Employee Opinion Survey: "I am Recognized for my Achievements"



Number of Staffing Competitions:

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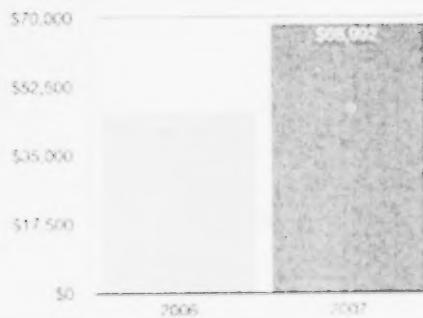


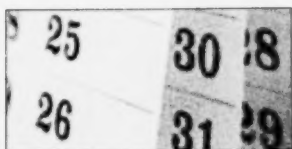
2006



2007

Investment in Employee Development





Strategic Theme: Securing the Future

Key Result Area: **Financial**

Long term sustainability of the workers compensation system on Prince Edward Island depends on sound fiscal management, stringent audit standards, full funding policies, and transparent financial reporting. The Workers Compensation Board is committed to protecting the future of the workers compensation system on behalf of Island workers and employers.

Measure of Success:

- The funding strategy has been amended.
- A funding policy has been developed.
- Funding targets are being maintained
- Changing accounting standards are being monitored and potential impacts identified.

Course of Action:

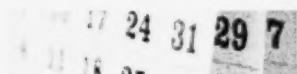
Year one (October 2007 – December 2008) efforts will focus on the goal *"The funding strategy protects the financial position of the Workers Compensation Board"* by:

- Completing an asset mix study
- Finalizing and implementing asset mix decisions
- Identifying risk tolerance and funding target limits
- Revising financial position and objectives
- Identifying and recommending funding strategy amendments
- Developing a funding policy to reflect asset mix decisions, funding targets and funding strategy direction
- Implementing operational strategies for funding position maintenance

Results Summary:

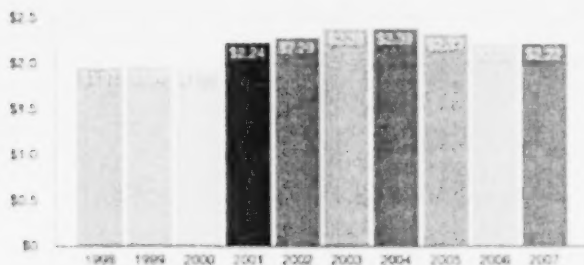
Completed as of December 2007:

- ✓ Completed asset mix study
- ✓ Modeled risk tolerance and funding target options
- ✓ Facilitated funding target decisions
- ✓ Reviewed financial position and objectives as of year end 2006
- ✓ Developed and facilitated approval of a funding policy to reflect asset mix decisions, funding targets and funding strategy direction
- ✓ Procured general ledger, budget management and accounts payable system upgrades



Key Statistics: **Financial**

Average Assessment Rate



Investment Return (Percentage)

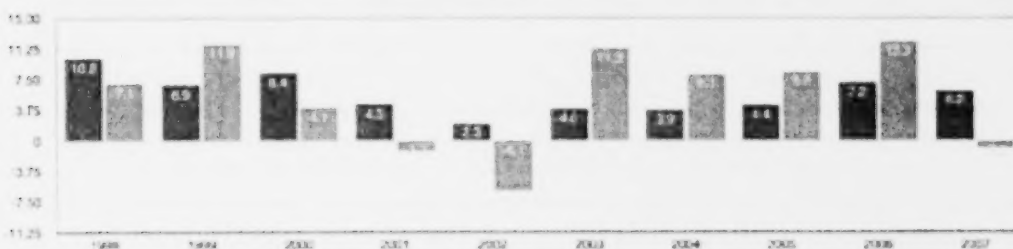
■ Fair Market Value
■ Smoothed

Investment returns - Smoothed:

Recording gains and losses on the sale of investments over five years rather than recording them entirely in the year they were sold.

Investment returns - Fair Market Value:

Recognizing the gains and losses on the sale of investments in the year they occur.



Funded Position (Percentage)

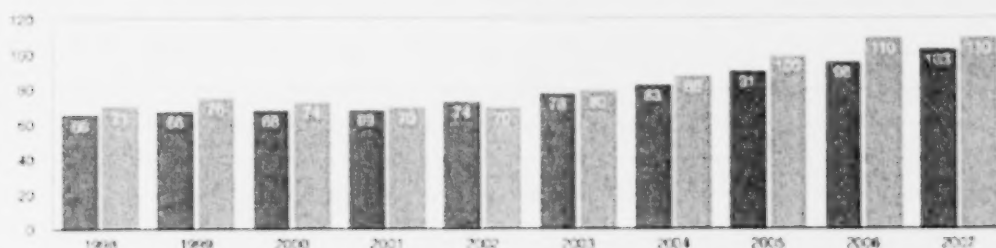
■ Fair Market Value
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Investment returns - Smoothed:

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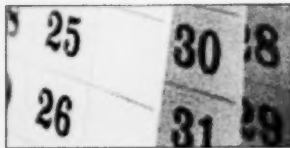


Target Asset Mix

- Fixed Income - Long Bonds
- Equities - Canadian
- Equities - US
- Equities - International
- Equities - Emerging Markets
- Liability-Hedged Investments - Real Estate
- Liability-Hedged Investments - Real Return Bonds



financial management



Strategic Theme: Securing the Future

Key Result Area: Financial

Long term sustainability of the workers compensation system on Prince Edward Island depends on sound fiscal management, stringent audit standards, full funding policies, and transparent financial reporting. The Workers Compensation Board is committed to protecting the future of the workers compensation system on behalf of Island workers and employers.

Measure of Success:

- The funding strategy has been amended.
- A funding policy has been developed.
- Funding targets are being maintained.
- Changing accounting standards are being monitored and potential impacts identified.

Course of Action:

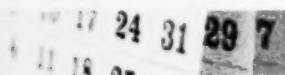
Year one (October 2007 – December 2008) efforts will focus on the goal *"The funding strategy protects the financial position of the Workers Compensation Board"* by:

- Completing an asset mix study
- Finalizing and implementing asset mix decisions
- Identifying risk tolerance and funding target limits
- Revising financial position and objectives
- Identifying and recommending funding strategy amendments
- Developing a funding policy to reflect asset mix decisions, funding targets and funding strategy direction
- Implementing operational strategies for funding position maintenance

Results Summary:

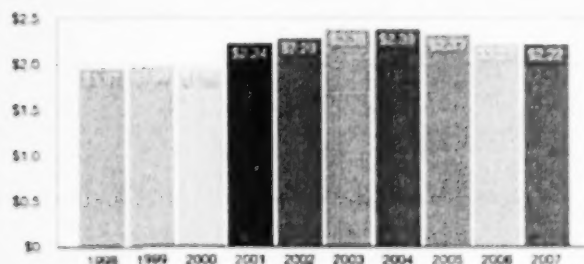
Completed as of December 2007:

- ✓ Completed asset mix study
- ✓ Modeled risk tolerance and funding target options
- ✓ Facilitated funding target decisions
- ✓ Reviewed financial position and objectives as of year end 2006
- ✓ Developed and facilitated approval of a funding policy to reflect asset mix decisions, funding targets and funding strategy direction
- ✓ Procured general ledger, budget management and accounts payable system upgrades



Key Statistics: Financial

Average Assessment Rate



Investment Return (Percentage)

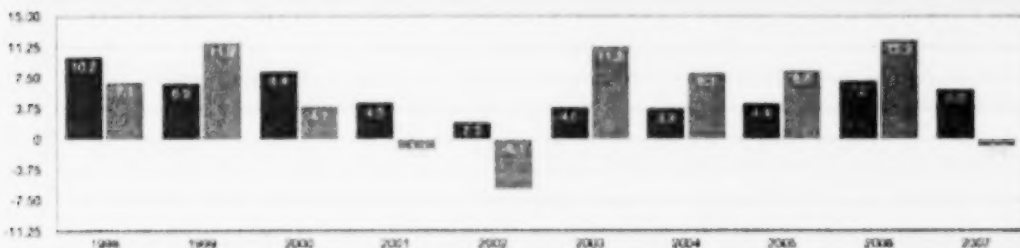
■ Fair Market Value
■ Smoothed

Investment returns - Smoothed:

Recording gains and losses on the sale of investments over five years rather than recording them entirely in the year they were sold.

Investment returns - Fair Market Value:

Recognizing the gains and losses on the sale of investments in the year they occur.



Funded Position (Percentage)

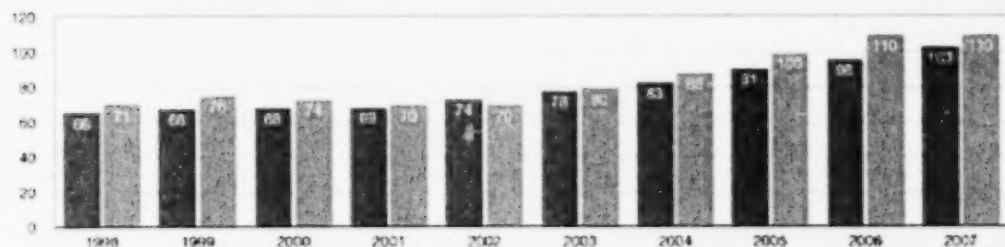
■ Fair Market Value
■ Smoothed

Investment returns - Smoothed:

Recording gains and losses on the sale of investments over five years rather than recording them entirely in the year they were sold.

Investment returns - Fair Market Value:

Recognizing the gains and losses on the sale of investments in the year they occur.



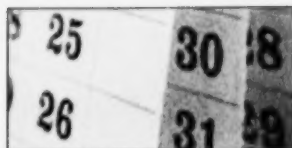
Target Asset Mix

- Fixed Income - Long Bonds
- Equities - Canadian
- Equities - US
- Equities - International
- Equities - Emerging Markets
- Liability-Hedged Investments - Real Estate
- Liability-Hedged Investments - Real Return Bonds



fiscal management,

Investment and Financial Reporting



Strategic Theme: *Securing the Future*

Key Result Area: Legislation

The Workers Compensation Board is responsible for administration of the Workers Compensation Act and the Occupational Health and Safety Act.

Provisions in the Workers Compensation Act mandate a comprehensive review every five years. The Workers Compensation Board must facilitate a fair and consultative process resulting in recommendations for change which balance the needs of workers, the needs of employers, and the fiscal responsibilities of the Workers Compensation Board.

Meeting demands for regulatory amendments within the occupational health and safety legislation will remain a priority for the Workers Compensation Board over the next number of years.

Measure of Success:

- Legislative Advisory Committee recommendations on proposed Workers Compensation Act amendments have been documented and presented to the Board of Directors.
- Occupational Health and Safety Act regulatory priorities have been identified.
- Workers Compensation Act amendments have been presented to Government.
- Priority Occupational Health and Safety Act regulations have been presented to Government.
- Legislative and regulatory changes have been implemented.

Course of Action:

Year one (October 2007 – December 2008) efforts will focus on the goal *"There is a comprehensive and consultative review of the Workers Compensation Act and there is a consultative review process to identify priority Occupational Health and Safety Act regulations"* by:

- Establishing a Legislative Advisory Committee for the review of the *Workers Compensation Act*
- Facilitating a comprehensive review and documenting Legislative Advisory Committee recommendations on proposed *Workers Compensation Act* amendments
- Identifying priorities for regulatory change within the *Occupational Health and Safety Act* regulations
- Developing an aquaculture safety code of practice

Results Summary:

Completed as of December 2007:

- ✓ Identified criteria for and established a Legislative Review Committee
- ✓ Provided Legislative Review Committee orientation
- ✓ Facilitated stakeholder consultation on behalf of Legislative Review Committee
- ✓ Facilitated stakeholder submissions to the Legislative Review Committee
- ✓ Facilitated a detailed review of the *Workers Compensation Act* by the Legislative Review Committee
- ✓ Compiled Legislative Review Committee recommendations
- ✓ Prepared and presented a Legislative Review Committee report to the Board of Directors
- ✓ Provided the Legislative Review Committee report and Board of Director recommendations to Government
- ✓ Facilitated the determination of "hoisting" as the next *Occupational Health and Safety Act* regulation priority by the Occupational Health and Safety Advisory Council
- ✓ Participated in the review of a draft aquaculture safety code of practice by a committee of aquaculture employers and the Aquaculture Alliance

LEVEL OF BENEFITS	2006	2007
Maximum Annual Earnings:	\$43,300.00	\$44,700.00
TWL Benefits - (percentage of Net Earnings) - First 38 Weeks	80%	80%
TWL Benefits - (percentage of Net Earnings) - After 38 Weeks	85%	85%
Inflation Index	1.65%	1.20%

fair and consultative



Strategic Theme: *Securing the Future*

Key Result Area: Business Continuity Planning

Business continuity planning is a proactive planning approach which ensures that essential services are provided during a disruption of business. The Workers Compensation Board believes that mission critical services must be available to clients should an unforeseen event cause a disruption in normal business operations.

Measure of Success:

- A business continuity risk working group is in place.
- Mission critical services have been documented.
- A Business Continuity Plan has been formalized and communicated to staff within the Workers Compensation Board.
- Procedures for Business Continuity Plan maintenance are in place.

Course of Action:

Year one (October 2007 – December 2008) efforts will focus on the goal *"Business continuity risk areas have been identified"* by:

- Identifying and assigning resources required to identify business continuity risk areas in each Division of the Workers Compensation Board
- Developing a report documenting mission critical services provided by the Workers Compensation Board

Results Summary:

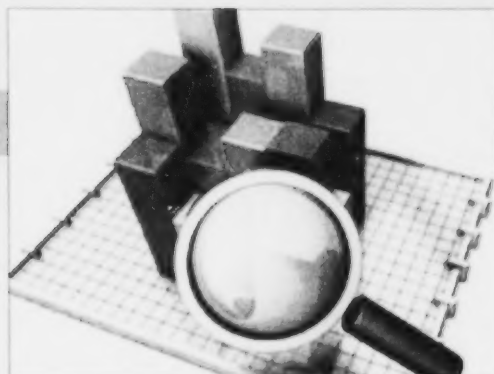
Completed as of December 2007:

- ✓ Researched business continuity methodologies and approaches

mission critical services

At a Glance

Key Statistical Measures



KEY STATISTICAL MEASURE	2006	2007
Workers		
Claims adjudicated	1,993	1,902
Claims accepted	1,852	1,768
Claims denied	141	134
Temporary wage loss claims	809	862
Medical aid only claims	1,043	904
Fatalities	0	2
Maximum annual earnings level	\$43,300	\$44,700
Average calendar days from report of accident to first payment	20.43	21.02
Average claim duration	29.42	28.11
Employers		
Assessable payroll (in millions)	\$1,160.81	\$1,132.80
Assessment revenue (in millions)	\$26.61	\$26.56
Average assessment rate (per \$100 assessed payroll)	\$2.23	\$2.22
Maximum assessable earnings	\$43,300	\$44,700
Number of assessed employers	4,993	4,996
Percent of workforce covered	93.30%	N/A
Prevention		
Workplace health and safety inspections	1,746	1,970
Complaint investigations	143	101
Occupational Health and Safety violation orders	1,208	1,298
Serious accident investigations	76	154
Workplace health and safety workshops and presentations	317	238
Prosecutions	0	0
Finance		
Benefits liability (in millions)	\$115.08	\$117.64
Fund balance (in millions)	\$11.95	\$12.24
Administration costs (in millions)	\$5.53	\$5.74
Market rate of return on portfolio	12.26%	-0.01%
Workers Compensation Appeal Tribunal (WCAT) Appeals		
Appeals initiated by workers	20	21
Appeals initiated by employers	3	1
Appeals resolved	13	36

External Reports



Workers Compensation Appeal Tribunal *2007 Report from the Chair*

On behalf of the members and staff of the Workers Compensation Appeal Tribunal (WCAT), I am pleased to report on our activities for the year ending December 31, 2007.

As the second level appeal body under the *Workers Compensation Act*, the Appeal Tribunal provides an independent forum for the resolution of concerns for persons who are dissatisfied with a final decision by the Internal Reconsideration Officer of the Workers Compensation Board.

2007 was the first full calendar year of operations for the Office of the Workers Compensation Appeal Tribunal. Through a competitive process a permanent WCAT Coordinator was appointed in May 2007 and is responsible for coordinating all administrative functions in relation to the Workers Compensation Appeal Tribunal. The creation of the Coordinator's position, coupled with the appointment of new members during 2006, was a welcomed catalyst in the Tribunal's effort of reducing the backlog of appeals waiting to be heard. I am happy to report at year end pending appeals has been reduced to 27 as compared to 58 at the beginning of the year.

In response to the Legislative Review Advisory Committee's consultation process on the review of the *Workers Compensation Act*, the Tribunal made a written submission. Based on comments from our members and the public at large, recommendations were suggested in the areas of representation at hearings, decisions, new evidence and appeal regulation changes.

About the Tribunal

The Workers Compensation Appeal Tribunal was established with the proclamation of a new *Workers Compensation Act* on January 1, 1995. Prior to that, individuals who were unhappy with a Board decision could appeal to the Supreme Court of Prince Edward Island.

WCAT is an administrative tribunal which operates separately and independently from the Workers Compensation Board of Prince Edward Island, although the Tribunal is bound by the Act, Regulations and Board policies. The primary responsibility of the Appeal Tribunal is to provide timely, fair, consistent and impartial hearings and decisions on appeals filed in relation to decisions rendered by the Workers Compensation Board. It is authorized to conduct hearings/appeals from interested parties, mostly injured workers and employers, and has jurisdiction to deal only with issues previously dealt with by the Internal Reconsideration Officer. The presentation of new evidence will result in the case being referred back to the Board.

Composition

With the exception of the Coordinator, there are no full-time staff or members on the Tribunal. All members are part-time with appointments made by, and at the pleasure of, the Lieutenant Governor in Council, as authorized in Section 56(7) of the Act. Membership was unchanged from the previous year and currently consists of a one chairperson, two vice-chairpersons, six employer representatives and eight worker representatives.

Chairperson

Allen J. MacPhee, Q.C.

Vice-Chairperson

Pamela J. Williams

Vice-Chairperson

Sherra M. Profit

Employer Representatives

Don Cudmore

Scott Dawson

Kevin Hughes

Ray Hann

Harvey MacKinnon

Donald Turner

Worker Representatives

Mike DesRoches

Nancy FitzGerald

Jamie Matthews

Neil MacFadyen

Leo Cheverie

Gordon Huestis

Elizabeth (Libba) Mobbs

Gary Paynter

Appeals are heard by a panel of three members consisting of a chair and one member each from the employer and worker representatives. The hearings are conducted in accordance with the rules of natural justice and procedural fairness and all parties to an appeal (worker, employer, their representative, and the Board's solicitor) are given an equal opportunity to present their case.

Tribunal Activity

During the past year, a concerted effort was made to reduce the inventory of appeals waiting to be heard. Where possible the oldest cases were given priority when scheduling hearings. By year end, the active case load (appeals waiting to be heard and those cases awaiting decisions) decreased from 58 to 27 cases, a reduction of 46.6%. Twelve (12) of these cases are currently on hold for various reasons: 9 were returned to WCB for review of possible new evidence; 1 appellant requested additional time to seek legal counsel; 1 has requested a Judicial Review through the Court of Appeal; and another 1 is on hold pending the appellant filing a "Leave to Appeal" to Supreme Court.

There was a slight reduction (-1) in the number of appeals filed in 2007. Similar to previous years, the majority of the appeals continue to be filed by workers (21 or 95.5%). Employer appeals accounted for only 1 (4.5%), down from 3 the previous year.

The following "Activity at a Glance" table provides some comparisons for the past three years.

ACTIVITY AT A GLANCE

Year	Files Carried Over	Appeals Filed By		Hearings Heard	Decisions Rendered	Appeals Abandoned, Conceded or Resolved before Hearing
		Worker	Employer			
2007	58	21	1	33*	36	16
2006	52	20	3	12	13	4
2005	20	42	4	16	6	5

(* At two of these hearings, appellants tabled new medical evidence resulting in the case being referred back to the Board, pursuant to Section 56(22) of the Act.)

Hearings

The Tribunal experienced a 63.6% increase in the number of appeals heard in 2007. Thirty-three (33) is the highest yearly volume since WCAT was created in 1995.

The majority of appellants (45.2 %) appearing at a hearing continue to be self-represented or rely on a friend or family member for assistance despite being advised of the cost-free service of the Worker Advisor and Employer Advisor.

Representation	2007	2006
Self-represented	14	4
Personal Representative	6	3
Worker Advisor	2	3
Employer Advisor	3	1
Legal Counsel	3	1
Union Representative	2	0
Appellant did not appear: paper review conducted	1	0

Decisions

The number of decisions rendered in any given year may differ from the number of appeals heard due to the length of time it takes to generate the written decision. Of the decisions rendered this past year, the Tribunal reversed the decision in whole or in part on nineteen (19) appeals while the remaining seventeen (17) appeals were dismissed. The following table shows a comparison for the past three years.

	2007	2006	2005
Decisions Rendered	36	13	6
IRO Decision Reversed in Whole or In Part	19	5	0
Dismissed or Denied	17	8	6

WCAT continues to receive feedback on Section 56(24) of the Act as it pertains to the Tribunal providing a written summary of its decision within 90 days of the completion of the hearing. Some interpret this section of the Act as the legal requirement, while others interpret it as a guideline. Nevertheless, WCAT does endeavour to render decisions in a timely fashion and over the past year has released at least one-third of the decisions within the 90-day time frame, some in as few as 9 and 12 days.

While there is no right of appeal on a final decision of the Appeal Tribunal, persons directly affected by a final decision may make application for Leave to Appeal to the Court of Appeal on a question of law or jurisdiction. In 2007, WCAT was served with the necessary papers by an appellant requesting a judicial review, while a second appellant advised of an intent to request leave.

Standard of Review

On March 15, 2007, the Appeals Division of the P.E.I. Supreme Court rendered their decision in *Workers' Comp. Bd. (PEI) v. MacDonald* 2007 PESCAD04. The central issue before the Court involved the scope of reviewing power of this Tribunal under the Workers Compensation Act. In that case, this Tribunal held that in a review of the decision of the Board (IRO), the review was to be conducted on the standard of "correctness" as opposed to either of two other standards: reasonableness simpliciter or the higher standard of patent unreasonableness. In a unanimous decision the Appeals Court held that the WCAT panel was correct in the choice of its standard of review in that case. Accordingly, the standard of review of correctness has been applied when rendering decisions in subsequent appeals.

Looking Ahead

Significant improvement has been realized in the two challenges documented in last year's report – alleviating the backlog and decreasing the time frame for releasing decisions. However, these merit continual monitoring, and hopefully improvement, in the future.

An emerging issue is the frequency of requests from appellants and other parties for access to all WCAT decisions. Complaints have been received regarding the inability to access this information in a timely fashion, both in print and on the website, and the inequity in the system where certain parties (Board's Solicitor) has immediate access, often citing these decisions as case law. WCAT is currently working with the Board to expedite the release of these decisions in a more timely fashion.

Respectfully submitted,



Allen J. MacPhee, Q.C.
WCAT Chair

Office of the Employer Advisor 2007 Report

The legislative authority for the Office of the Employer Advisor is contained in Section 85.1(b) of the *Workers Compensation Act*. The mandate for the Office is to provide PEI employers and employer associations with independent advice and assistance in the areas of claims management, assessments and classifications, workplace health and safety and appeals. Early in 2007, the Office of the Employer Advisor completed its third year of operations and I am pleased to present this Annual Report which highlights our accomplishments during the past 12 months, in accordance with our stated mandate.

The Office assisted five (5) employers in the preparation and presentation of their cases to the Internal Reconsideration Officer and five (5) to the Workers Compensation Appeal Tribunal. The Tribunal rendered written decisions in favour of the employers in the four appeals which it heard this year and in one appeal which it heard last year while one appeal is pending in 2008. During the year, twenty seven (27) new cases were activated, dealing with issues on assessments, classifications, rates, registrations, audits, entitlement, OH&S and appeals. In addition, numerous inquiries were handled from individual employers and employer associations on multiple aspects of both the *Workers Compensation Act* and the *Occupational Health and Safety Act*.

One of the more significant activities during the year was my participation, as a non-voting member representing employers, in the Legislative Review Advisory Committee which was struck to conduct a comprehensive review of the *Workers Compensation Act*. Input was provided at some sixteen (16) meetings which I attended along with the presentation of the final report to the WCB Board of Directors. At meetings of the Employers Council Inc, I updated the membership on the ongoing activities of the Office of the Employer Advisor, on proposed changes to WCB policies and on the progress of the Legislative Review Advisory Committee.

From an educational perspective, workshops on *Accident Investigation Awareness*, *Managing Workers Compensation Claims*, *Appealing WCB Decisions* and *Services Available from the Office of the Employer Advisor* were presented to some 135 Island employers and their management staff during the year. I was invited to be guest speaker at events hosted by the Chambers

of Commerce in Charlottetown, Crapaud and Kensington, the Provincial Association of Community Business Development Corporations and the Holland College Small Business Manager Program in Tignish. I participated in activities commemorating the National Day of Mourning, North American Occupational Safety and Health Week and was an adjudicator for the Douglas MacMaster Memorial Occupational Health and Safety Award presented by the Premier at the conclusion of NAOSH Week. As well, I attended a number of professional development activities which enhanced my ability to better understand and deliver relevant programming to Island employers.

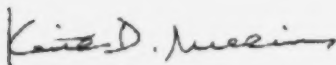
During the year, regular monthly issues of *The Employer Advisor* electronic newsletter were produced and circulated via the internet to employers and their management staff, employer associations and to public sector managers on our growing mailing list. The website for the Office of the Employer Advisor was given a new format at www.gov.pe.ca/go/oea and all copies of the newsletter are now archived there along with current information and relevant forms on WCB and OH&S matters for easy reference.

The Office of the Employer Advisor continued to focus on building awareness of its services among Island employers last year and in so doing I attended meetings and special events sponsored by the Chambers of Commerce in Alberton, Brudenell, Charlottetown, Crapaud, Kensington, Souris and Summerside, Tourism Industry Association of PEI, Information Technology Sector Council, Financial Management Institute of Canada, PEI Automobile Dealers Association, Canadian Federation of Independent Business, Excellence in Manufacturing Consortium, PEI Chapter of the Canadian Society of Safety Engineering, Construction Association of PEI and the Royal Bank of Canada's Ombudsman Office.

Throughout 2007 there were numerous opportunities for interaction with the Workers Compensation Board, including participation in their 8th Annual Occupational Health and Safety Conference. I met with all the Division Directors and a number of Board staff while providing feedback on proposed changes to a number of Board policies, in particular the policies on Industry Classification and Funding. I responded to inquiries from Workers Compensation Boards in other Canadian jurisdictions on a variety of subjects and participated in teleconference calls with the other four (4) members of the Canadian Association of Employer Advisors / Advocates. I attended the Association of Workers Compensation Boards of Canada Learning Symposium in Charlottetown and the Industrial Accident Prevention Association Conference and Trade Show in Toronto, at which time face-to-face meetings with the other Employer Advisors / Advocates were held.

The fourth year of operation has seen the profile of the Office of the Employer Advisor raised to the point where the current and planned programming required a permanent and expanded staff complement. As a result, a Program Assistant was hired but after a 6-month period the position was vacated so a replacement will be recruited next year. As the demand from the employer community for our services on matters dealing with workers compensation and workplace health and safety matters continues to increase, our ability to respond must increase accordingly, and we look forward to providing it in 2008.

Respectfully submitted,



Keith D. Mullins, B. Comm., RRP
Employer Advisor

A black and white photograph showing a pair of glasses resting on a document. The document contains a table with several rows of data. The glasses are positioned over the table, with the frame and temples visible. The table has columns for various numerical and categorical data, including dates and percentages. The overall image is somewhat blurry and has a high-contrast, grainy appearance.

Preface to the audited financial statements

2007 Financial Reporting

During the 2004 year, all Workers Compensation Boards in Canada were required to change their investment accounting policy in their financial statements as a result of new standards introduced by the Canadian Institute of Chartered Accountants. Investments must now be recorded at their fair value which is essentially their market value.

Under the old policy, Workers Compensation Boards in Canada had smoothed gains and losses on the sales of investments over five years rather than recording them entirely in the year they were sold. The result of doing this was to reduce the volatility experienced in the Board's financial results as the annual investment income was more comparable to the long term rate of return than rates experienced over the short term. This gave stability to assessment rates and ensured that annual assessment rates were not set based on volatile annual investment returns.

Under the new policy, gains and losses are recognized in the year they occur. This introduces a significant amount of volatility to the Board's financial results. As is outlined in the 2007 financial statements, the Board's financial position is \$8.5 million better in 2007 than it would have been under the old investment policy.

The Board's funded percentage, as determined on its traditional method of recording investments was 103.2% at the end of 2007 compared with 96.1% at the end of 2006. The adoption of the new accounting standards for investments increased the funding ratio at the end of 2007 to 110.3%.

The Board cannot use an accounting policy alone to drive its key business decisions. Assessment rates for employers and benefit levels for injured workers cannot be based on short-term, annual investment gains, which by their nature, are unpredictable and not guaranteed to be sustained over the long term. The Board's financial capacity to lower rates or increase benefits has to continue to be based on the long-term expectation for investment returns. As a result, the Board intends to continue setting assessment rates based on the long-term expected rate of return rather than short-term results.

In 2002, the Board implemented a funding strategy to address retirement of the unfunded liability as at December 31, 2001. During 2007, the Board replaced this funding strategy which recognizes current funding levels and is aimed at maintaining a financial position of fully funded.

The primary goals of the funding policy are to minimize the risk of becoming unfunded, thereby ensuring there is sufficient money available for payment of current and future worker benefits; minimize cost volatility for employers so that overall average assessment rate for the current year will not vary significantly over the previous year's overall average assessment rate; minimize the total cost charged to employers by ensuring the funded status is appropriate in relation to financial needs; ensure today's employers pay for the current and future cost of today's accidents.

The funding policy will target a funding status in the range of 100% - 110% and includes specific adjustments to be applied to the assessment rate setting process should the funding status fall outside this range.

We expect the Board to maintain strong financial results despite fluctuations and erratic movements of the investment market. We will also continue to be prudent when recognizing investment gains and losses over a reasonable time period when setting rates and evaluating the funding strategy.



Eckler Ltd.

SECTION VII
ACTUARIAL CERTIFICATE

We have completed an actuarial valuation of the benefits liabilities for insured employers under the Workers Compensation Act of Prince Edward Island as at December 31, 2007. The purpose of the valuation is to provide adequate and appropriate estimates of the present value of future benefit obligations for inclusion in the Board's 2007 financial statements.

Our estimate of the benefits liabilities of \$117,635,000 represents the actuarial present value, at December 31, 2007, of expected benefit payments and their associated administrative costs, which will be made in future years, and which relate to claims arising from events that occurred on or before December 31, 2007. As in previous valuations, the benefits liabilities do not include any provision for future claims related to occupational disease. No allowance has been made for any possible future deviations from the present policies and practices of the Board or for the extension of new coverage types.

All liabilities have been calculated using an underlying assumption of a 3.5% real rate of return on invested assets. The Consumer Price Index is estimated to increase at a rate of 3.5% per annum.

The liabilities in respect of temporary wage loss, lump-sum payments, hospital, medical aid, and rehabilitation benefits have been determined from projections of future claim payments. These projections have been based on factors developed from the Board's claims experience and average benefit payments in recent years.

Additional information regarding our actuarial valuation is provided in our more detailed valuation report to the Board.

We have reviewed the data which were used for the valuation to test for reasonableness and consistency with the data available from other sources. In our opinion, the data are sufficient and reliable for the purpose of this valuation.

In our opinion, the actuarial assumptions are appropriate for the purpose of the valuation and the methods employed are consistent with sound actuarial principles. Our valuation report has been prepared and our opinions have been given in accordance with accepted actuarial principles.

Paul Conrad

Paul G. Conrad FICA, FSA, MAAA
Eckler Ltd.
February 26, 2008



Auditors' report

Grant Thornton LLP
Suite 501
199 Grafton Street, PO Box 187
Charlottetown, PE
C1A 7K4
T (902) 892-6547
F (902) 566-5358
www.GrantThornton.ca

To the members of the Board of the
Workers Compensation Board of Prince Edward Island

We have audited the balance sheet of the Workers Compensation Board of Prince Edward Island as at December 31, 2007 and the statements of operations, fund balance and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2007 and the results of its operations, fund balance and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Charlottetown, Prince Edward Island
March 3, 2008

Chartered Accountants

**Workers Compensation Board
of Prince Edward Island
Statements of operations and fund balance**

Year ended December 31	2007	2006
Revenues		
Current assessments	\$ 26,561,373	\$ 26,611,533
Self-insured employers (Note 11)	2,123,046	2,335,018
Investments (Note 4)	(1,023,990)	13,752,465
Recoverable administration fees and interest charges to self-insured employers (Note 11)	<u>673,657</u>	<u>544,421</u>
	<u>28,334,086</u>	<u>43,243,437</u>
Expenditures		
Expected increase (Note 10)	8,496,000	8,045,000
Changes in actuarial assumptions and methodology (Note 10)	632,000	-
Experience (gains) losses (Note 10)	(2,976,000)	1,513,000
Claims and administrative costs incurred (Note 10)	13,641,000	12,524,000
Claims costs incurred for self-insured employers (Note 11)	<u>2,123,046</u>	<u>2,335,018</u>
	<u>21,916,046</u>	<u>24,417,018</u>
	<u>6,418,040</u>	<u>18,826,419</u>
Administration (Page 51)	5,736,552	5,530,039
Workers' Advisor Program (Note 8)	160,685	169,429
Employers' Advisor Program (Note 8)	97,186	71,160
Appeals Tribunal (Note 8)	<u>132,510</u>	<u>115,556</u>
	<u>6,126,933</u>	<u>5,886,184</u>
Excess of revenues over expenditures	<u>\$ 291,107</u>	<u>\$ 12,940,235</u>
Fund balance (unfunded liability), beginning of year	\$ 11,946,743	\$ (993,492)
Excess of revenues over expenditures	<u>291,107</u>	<u>12,940,235</u>
Fund balance, end of year	<u>\$ 12,237,850</u>	<u>\$ 11,946,743</u>

See accompanying notes to the financial statements.

Workers Compensation Board of Prince Edward Island Balance sheet

December 31 2007 2006

Assets

Receivables (Note 3)	\$ 1,068,112	\$ 1,237,775
Investments (Notes 2, 4 and 5)	126,826,333	123,608,257
Capital assets (Note 6)	<u>3,629,797</u>	<u>3,561,232</u>
	<u>\$ 131,524,242</u>	<u>\$ 128,407,264</u>

Liabilities and fund balance

Payables and accruals	\$ 816,292	\$ 622,521
Retirement pay benefits (Note 9)	835,100	763,000
Benefits liabilities (Note 10)	<u>117,635,000</u>	<u>115,075,000</u>
	119,286,392	116,460,521
Fund balance (Note 14)	<u>12,237,850</u>	<u>11,946,743</u>
	<u>\$ 131,524,242</u>	<u>\$ 128,407,264</u>

Contingent liabilities (Note 12)

On behalf of the Board

Nancy E. G. Hupstall Chair

Carol Anne Duffley Chief Executive Officer

See accompanying notes to the financial statements.

Workers Compensation Board of Prince Edward Island Statement of cash flows

Year ended December 31

2007

2006

Cash flow from operating activities

Cash received from:

Assessed employers	\$ 26,953,576	\$ 26,036,961
Self insured employers for assessments	1,885,610	2,327,909
Investments and other	(1,009,094)	13,709,359
	<u>27,830,092</u>	<u>42,074,229</u>

Cash paid:

To claimants or third parties on their behalf	(18,304,046)	(17,395,018)
For administration requirements and other goods	(1,288,483)	(1,287,919)
For salaries to employees	(4,499,422)	(4,283,891)
Interest on long term debt and capital leases	-	(4,065)
	<u>(24,091,951)</u>	<u>(22,970,893)</u>

Net cash provided by operating activities	3,738,141	19,103,336
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Cash flow from investing activities

Cash paid for the purchase of capital assets	(520,065)	(286,454)
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Cash flow from financing activities

Repayment of long term debt	-	(143,289)
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Net increase in cash and investments	3,218,076	18,673,593
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Cash and investments

Beginning of year	<u>123,608,257</u>	<u>104,934,664</u>
End of year	<u>\$ 126,826,333</u>	<u>\$ 123,608,257</u>

See accompanying notes to the financial statements

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2007

1. Nature of operations

The Workers Compensation Board of Prince Edward Island (the "Board") was established by the Prince Edward Island Legislature in 1949 under the *Workers Compensation Act*. The Board has a mandate for the administration of a workers compensation system as defined by the *Workers Compensation Act* and for the administration of health and safety programs as defined by the *Occupational Health and Safety Act*.

The nature of operations includes administering payments of benefits to or on behalf of workers, levying and collecting assessment revenues from employers, investing Board funds, inspecting Prince Edward Island workplaces, enforcing health and safety standards defined by legislation and delivering health and safety education and prevention programs. The current *Workers Compensation Act* became effective on January 1, 1995. The current *Occupational Health & Safety Act* became effective on May 20, 2006.

The Board does not receive government funding.

2. Summary of significant accounting policies

Cash and investments

Cash and investments include cash on hand, balances with banks, net of bank overdrafts, and the Board's share of investments held in a pooled fund with the Workplace Health, Safety and Compensation Commission of New Brunswick. Bank borrowings are considered to be financing activities.

Assessment revenues

Assessments are billed when employers file their insurable payroll for the current assessment year. Assessment revenues for the year are recognized on an estimated basis as insurable payroll is incurred. For employers who have not filed, assessments are estimated.

Self-insured employers are subject to individual responsibility for costs attributable to claims arising from their employees, as well as administration expenses incurred on behalf of the self-insured employers. As such, assessment revenues from self-insured employers are recognized as these costs are incurred.

Accrued assessments receivable

At the beginning of each year, an assessment is levied on non-monthly employers by applying industry assessment rates to their estimated payrolls. During the year, employers' actual payrolls may vary from their estimate; therefore, at year end, accrued assessments receivable are adjusted based on payroll adjustments from the prior year. The accrued assessments are determined excluding those employers whose assessments are levied on a monthly basis.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2007

2. Summary of significant accounting policies (continued)

Investments

The Board has classified its investments as held for trading. As such, investments are recorded at their fair value. Interest revenues, dividends, realized gains and losses are recorded as investment revenue in the year they occur. Unrealized gains and losses are recorded at year end based on the fair value of the investments.

Fair values of investments are determined as follows:

- Equities are valued at their year-end quoted market prices as reported on recognized public securities exchange.
- Fixed-term investments are valued at their year end closing or bid price based on available public quotations from recognized dealers in such securities.
- Commercial paper, short term notes and treasury bills and term deposits maturing within a year are valued at either their year end closing or bid price based on available quotations from recognized dealers in such securities, or cost plus accrued interest, which approximates fair value.
- Pooled fund units are valued at their year end net asset value, as determined by the fund manager or administrator. These values represent the Board's proportionate share of underlying net assets at fair values determined using either quoted market prices or year end closing or bid prices based on available public quotations from recognized dealers in such securities.
- Forward foreign exchange contracts are valued at their net unrealized gain or loss, based on quoted market exchange rates at the balance sheet date.

Foreign currencies

Assets denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the balance sheet date. Income from these assets is translated at the rate in effect at the time the income is received.

Realized exchange gains or losses are included in investment income and recognized in the period earned. Unrealized exchange gains or losses resulting from the translation of foreign currency denominated asset balances are recorded in investment income in the period in which they arise.

Capital assets

Property and equipment are reported at cost and are depreciated over their estimated lives on the straight line basis for building and on the declining balance basis for furniture and fixtures and computer programs and equipment. Assets are depreciated at 50% of the applicable rate in the year of acquisition. The rates used are as follows:

Building	40 years, straight line
Furniture and fixtures	10%, declining balance
Computer programs and equipment	20%, declining balance

Retirement pay benefits

The cost of retirement pay benefits earned by employees is actuarially determined using the projected unit credit method pro rated on service. Benefits are projected with management's best estimate of salary escalations to retirement and then pro-rated based on service.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2007

2. Summary of significant accounting policies (continued)

Benefits liabilities

An independent consulting actuary completes a valuation of the components of the benefits liabilities of the Board on an annual basis.

The benefits liabilities represent the actuarial present value of all future benefits payments expected to be made for claims which occurred in the current fiscal year or in any prior year. The benefits liabilities include provision for all benefits provided by current legislation policies and administrative practices in respect of existing claims.

The Board believes that the amount provided for benefit liabilities as at December 31, 2007 is adequate, recognizing that actuarial assumptions as disclosed in Note 10 may change over time to reflect underlying economic trends. When they do, it is possible to cause a material change in the actuarial present value of the future payments.

Financial instruments

The Board's financial instruments consist of cash, accounts receivable, temporary and long-term investments, and accounts payable. Unless otherwise noted, it is management's opinion that the Board is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

3. Receivables	<u>2007</u>	<u>2006</u>
Assessments	\$ 1,047,799	\$ 1,280,504
Accrued assessments	(328,346)	(168,848)
Other	135,521	150,417
Self-insured employers (payable)	<u>213,138</u>	<u>(24,298)</u>
	<u>\$ 1,068,112</u>	<u>\$ 1,237,775</u>
4. Investments	<u>2007</u>	<u>2006</u>
Money market	\$ 5,747,532	\$ 3,697,495
Forward foreign exchange contracts	424,873	-
Fixed term investments	43,955,423	40,707,372
Equities	<u>76,698,505</u>	<u>79,203,390</u>
	<u>\$ 126,826,333</u>	<u>\$ 123,608,257</u>
Investment income (loss)		
Earned during the year, net of portfolio management expenses	\$ 3,257,300	\$ 2,854,886
Realized investment gains	6,477,269	4,877,219
Unrealized investment (losses) gains	<u>(10,758,559)</u>	<u>6,020,360</u>
	<u>\$ (1,023,990)</u>	<u>\$ 13,752,465</u>

Workers Compensation Board of Prince Edward Island Notes to the financial statements

December 31, 2007

4. Investments (continued)

Investment agreement

The Board has entered into an Investment Agreement (January 1995) for the management of its investment assets with those of the Workplace Health, Safety and Compensation Commission of New Brunswick. These financial statements report the Board's proportionate share of the investment assets held in the pooled fund which was 12.10% at December 31, 2007 (2006 – 12.07%). The Board pays a fee to the Workplace Health, Safety and Compensation Commission of New Brunswick for the administration of the combined investments.

5. Financial risk management

The Board has established policies for management of its investments. All of the Board's pooled investments are managed by independent, external investment managers. The compliance of these managers with policy is monitored on a regular basis. The pooled investments are managed to reduce investment risk by diversifying its portfolio among asset classes, industry sectors, geographic locations and individual securities. Further diversification is achieved by selecting investment managers with varying investment philosophies and styles. From time to time, in conjunction with the Workplace Health, Safety and Compensation Commission of New Brunswick, independent consultants are retained to advise on the appropriateness and effectiveness of its investment policies and practices.

The following sections describe the Board's financial risk exposure and related mitigation strategies.

Market risk

The Board invests in publicly traded equities listed on domestic and foreign exchanges, and bonds traded over the counter through broker dealers. These securities are affected by fluctuations in market prices. Policy guidelines have been established to ensure that the Board's investments are diversified by issuer, industry and geographic location.

Foreign currency risk

The Board has certain investments denominated in foreign currencies. Currency risk is the risk that the value of these investments will fluctuate due to changes in foreign exchange rates. For its U.S. and non North American equities, the Board has adopted a policy to hedge 50% of its developed market foreign currency exposure using forward exchange contracts. Forward foreign exchange contracts are agreements to exchange an amount of one currency for another at a future date and at a set price, agreed upon at the contract's inception. The fair value of these financial instruments would change in responses to changes in the foreign exchange rates of the currencies involved in the contracts. The notional amounts in forward foreign exchange contracts are the contractual amounts on which payments are made. These notional amounts have been converted into Canadian dollars at the contractual exchange rates in effect at the inception of the contracts. Outstanding contracts from 2007 mature in the first three months of 2008.

At December 31, 2007, the notional value of outstanding forward foreign exchange contracts was \$22,662,000 (2006: nil). The fair value of these contracts was \$424,873 (2006: nil). Unrealized gains on forward foreign exchange contracts of \$424,873 (2006: nil) were included in investment income.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2007

5. Financial risk management (continued)

Credit risk management

Credit risk on fixed term or money market investments or forward foreign exchange contracts arises from the possibility that the counterparty to an instrument fails to meet its obligation to the Board. Policy guidelines have been established to ensure that Board holds corporate fixed term investments with a credit rating of A or higher, and Canadian federal or provincial government fixed term investments with a credit rating of BBB or higher. The Board may only invest in money market instruments that are provincially or federally guaranteed by one of the five largest Canadian chartered banks. Counterparties to forward foreign exchange contracts must have a credit rating of at least AA-.

Interest risk management

Fluctuations in interest rates are managed by varying the duration of the fixed income portfolio. The table below presents the remaining term to maturity of the Board's outstanding fixed term investments.

	<u>Remaining Term to Maturity</u>			<u>Total</u>	<u>Total</u>
	<u>Within 1 Year</u>	<u>From 1 Year to 5 Years</u>	<u>Over 5 Years</u>	<u>2007</u>	<u>2006</u>
Fixed term investments (market value)	\$ 214,698	\$ 12,551,260	\$ 31,189,465	\$ 43,955,423	\$ 40,707,372

The average effective yield of these fixed term investments is 4.30% (2006 – 4.20%) per annum based on market value.

6. Capital assets

			<u>2007</u>	<u>2006</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 368,460	\$ -	\$ 368,460	\$ 368,460
Building	1,555,560	369,653	1,185,907	1,124,841
Furniture and fixtures	1,822,483	1,431,258	391,225	402,541
Computer programs and equipment	4,860,986	3,176,781	1,684,205	1,665,390
	<u>\$ 8,607,489</u>	<u>\$ 4,977,692</u>	<u>\$ 3,629,797</u>	<u>\$ 3,561,232</u>

7. Bank indebtedness

The Board has a \$500,000 unsecured operating line of credit of which nil was used at December 31, 2007.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2007

8. Legislative obligations and other related party transactions

The Board is required by the *Workers Compensation Act* (the Act) to provide an annual grant to the Workers' Advisor Program. The Workers' Advisor Program operates autonomously from the Board and assists workers or dependants of workers in respect of claims for compensation. During the year, the Board paid \$160,685 (2006 - \$169,429) of the Program's expenses.

The Board is required by the Act to provide an annual grant to the Employers' Advisor Program. The Employers' Advisor Program operates autonomously from the Board and assists employers in respect of classifications, assessments and claims for compensation. During the year, the Board paid \$97,186 (2006 - \$71,160) of the Program's expenses.

The Board is required by the Act to pay the operating costs of the Appeals Tribunal. During the year, the Board paid \$132,510 (2006 - \$115,556) to cover the operating costs of the Tribunal.

9. Retirement pay benefits

The Board provides a retirement pay benefit equal to one weeks pay for each year of service, subject to a maximum benefit equal to 26 weeks pay. The retirement pay benefit is payable upon retirement. Unionized employees qualify at retirement if they have accrued 10 years of service and attained age 55. Non-unionized employees qualify at retirement if they have accrued 5 years of service and attained age 55, accrued 30 years of service, or accrued 5 years of service and die or become disabled.

The significant actuarial assumptions adopted in measuring the Board's accrued retirement pay benefits obligations are a discount rate of 5% and a rate of compensation increase of 3.5%. The retirement pay benefits liability has been estimated to equal \$835,100 (2006: \$763,000) based on the last actuarial estimate update as of December 31, 2007.

Other information about the Board's retirement pay benefits is as follows:

	<u>2007</u>	<u>2006</u>
Opening retirement pay benefits	\$ 763,000	\$ 707,000
Changes during the year	<u>72,100</u>	<u>56,000</u>
Ending retirement pay benefits	<u>\$ 835,100</u>	<u>\$ 763,000</u>

Workers Compensation Board of Prince Edward Island Notes to the financial statements

December 31, 2007

10. Benefits liabilities

An analysis of the components of and changes in benefits liabilities is as follows:

	<u>2007</u>					<u>2006</u>
	<u>Temporary Wage Loss</u>	<u>Pension and Extended Wage Loss</u>	<u>Health Care</u>	<u>Rehabilitation</u>	<u>Administration</u>	<u>Total</u>
Balance, beginning of year	\$ 6,095,000	\$ 79,301,000	\$ 19,971,000	\$ 2,685,000	\$ 7,023,000	\$ 115,075,000
Expected increase	424,000	5,874,000	1,479,000	200,000	519,000	8,496,000
Changes in actuarial assumptions and methodology	(17,000)	649,000	(32,000)	(6,000)	38,000	632,000
Experience (gains) losses	<u>1,543,000</u>	<u>(5,176,000)</u>	<u>1,267,000</u>	<u>(429,000)</u>	<u>(181,000)</u>	<u>(2,976,000)</u>
	8,045,000	80,648,000	22,685,000	2,450,000	7,399,000	121,227,000
Costs incurred	<u>3,706,000</u>	<u>4,905,000</u>	<u>3,712,000</u>	<u>485,000</u>	<u>833,000</u>	<u>13,641,000</u>
	11,751,000	85,553,000	26,397,000	2,935,000	8,232,000	134,868,000
Less: Payments made	<u>(4,601,000)</u>	<u>(6,857,000)</u>	<u>(4,201,000)</u>	<u>(522,000)</u>	<u>(1,052,000)</u>	<u>(17,233,000)</u>
Balance, end of year	<u>\$ 7,150,000</u>	<u>\$ 78,696,000</u>	<u>\$ 22,196,000</u>	<u>\$ 2,413,000</u>	<u>\$ 7,180,000</u>	<u>\$ 117,635,000</u>

An independent actuarial valuation of the components of the benefits liabilities as at December 31, 2007 was completed.

The monetary effect of the changes in actuarial assumptions and methodology is reflected in the year that the change was adopted.

All liabilities were calculated using the underlying assumption of a 7.0% (2006 - 7.5%) gross rate of return per annum. This results from the assumptions of a real rate of return on assets of 3.5% (2006 - 3.5%) and an increase in inflation of 3.5% per annum (2006 - 4%).

Benefits liabilities of self-insured employers are not included in the benefits liability. These liabilities will be borne by those employers when paid in future years. They do not add to the Board's unfunded liability or its net fund deficiency.

Workers Compensation Board of Prince Edward Island

Notes to the financial statements

December 31, 2007

11. Self-insured employers

These financial statements include the effects of significant transactions carried out for self-insured employers, principally the Government of Canada and the Government of Prince Edward Island, who directly bear the costs of their own incurred claims and an appropriate share of administration expenditures. Total amounts of such assessment revenue and offsetting expenses included in the statements of operations and operating surplus are as follows:

	<u>2007</u>	<u>2006</u>
Current assessment revenue	\$ 2,123,046	\$ 2,335,018
Administration fees and interest charges recoverable	<u>673,657</u>	<u>544,421</u>
	<u>\$ 2,796,703</u>	<u>\$ 2,879,439</u>
Claims costs incurred		
Short term disability	\$ 241,842	\$ 266,436
Long term disability	1,356,826	1,475,735
Health care	511,434	583,685
Rehabilitation	<u>12,944</u>	<u>9,162</u>
	2,123,046	2,335,018
Administration fees and interest charges	<u>673,657</u>	<u>544,421</u>
	<u>\$ 2,796,703</u>	<u>\$ 2,879,439</u>

12. Contingent liabilities

Latent occupational diseases

The Board is liable for the future costs of claims relating to certain latent occupational diseases which may have occurred in the current year or previously, but which may not be recognized and reported for a number of years due to the extended latency period of such diseases. Because of the absence of reliable evidence and data pertaining to these matters, the liabilities cannot be reasonably estimated and have not been recorded in the financial statements.

13. Use of estimates

In preparing the Board's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Actual results could differ from these estimates.

Workers Compensation Board of Prince Edward Island Notes to the financial statements

December 31, 2007

14. Funding strategy

In 2002, the Board implemented a funding strategy to address retirement of the unfunded liability as at December 31, 2001. In recognition of the significant improvement in the Board's financial position under this strategy (2002 – 2006), the Board replaced this funding strategy with a funding policy (POL01-13) which recognizes current funding levels and is aimed at maintaining a financial position of fully funded.

Fully funded means the total assets of the Board are equal to or greater than the total liabilities.

The funding policy will target a funding status in the range of 100% - 110% and includes specific adjustments to be applied to the assessment rate setting process should the funding status fall outside this range.

Although, per CICA accounting changes, investments have been recorded in the financial statements using the fair value method, investment revenue for funding policy purposes continues to be recorded using the smoothing method. This continues to be in effect to reduce the volatility of investment returns on assessment rates as per the goals of the funding policy.

Investment reconciliation to the smoothing method

January 1, 2007 balance	\$ 16,459,360
2007 adjustment to record revenue using the smoothing method	<u>(7,997,478)</u>
	<u>\$ 8,461,882</u>

Fund balance based on investment smoothing

Fund balance as currently reported	\$ 12,237,850
Adjustment to record revenue using the smoothing method	<u>(8,461,882)</u>
Fund balance based on investment smoothing	<u>\$ 3,775,968</u>

Asset total based on investment smoothing

Total assets as currently reported	\$ 131,524,242
Adjustment to record revenue using the smoothing method	<u>(8,461,882)</u>
Asset total based on investment smoothing	<u>\$ 123,062,360</u>

Total liabilities as currently reported

\$ 119,286,392

Funding status as per funding policy (percentage based on investment smoothing):

103.17%

**Workers Compensation Board
of Prince Edward Island
Schedule of administration expenditures**

Year ended December 31	2007	2006
Building operating costs	\$ 201,254	\$ 171,714
Communications, printing and office supplies	239,377	215,121
Computer maintenance	254,296	241,121
Depreciation	451,500	471,183
Dues and fees	33,000	41,149
Interest on debenture	-	4,065
Miscellaneous	26,274	34,607
Postage	69,187	81,898
Professional development	69,305	46,281
Professional fees	630,123	565,637
Salaries		
Board members	81,707	85,375
Staff members	3,809,935	3,589,974
Benefits	679,880	664,542
Telephone	82,476	74,819
Travel	160,238	221,553
	6,788,552	6,509,039
Less allocation to benefits liabilities (Note 10)	(1,052,000)	(979,000)
	<u>\$ 5,736,552</u>	<u>\$ 5,530,039</u>

